



## NEWS RELEASE

### COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

*Bank Records Average Loan Volume Growth Of 11 Percent; Net Income Of \$235.8 Million*

**DENVER (November 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 third quarter and first nine months of 2015.

Net income for the third quarter increased 5 percent to \$235.8 million, compared to \$224.7 million in the third quarter of 2014. For the first nine months of 2015, net income increased 2 percent, to \$700.4 million. Key drivers of increased profitability for both the quarter and year-to-date periods included higher net interest income as well as an increase in prepayment income net of losses on early extinguishments of debt. Year-to-date 2015 net income also reflected a \$10.0 million provision for loan losses that was recorded in the first quarter of 2015, compared to a \$25.0 million loan loss reversal during the second quarter of 2014, and a greater level of gains on the sale of investments securities.

Net interest income for the third quarter was \$315.2 million compared to \$299.2 million in the same period last year. For the first nine months of 2015, net interest income was \$939.8 million, compared to \$919.5 million in the prior-year period. For both the quarter and year-to-date periods, the increases were driven primarily by higher average loan volume, partially 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 bank's 2012 merger with U.S. AgBank.

Average loan volume rose 11 percent during the quarter to \$83.2 billion, from \$75.0 billion in the third quarter of 2014. For the first nine months of 2015, average loan volume rose 7 percent to \$81.6 billion. The increases resulted from higher levels of borrowing from customers in a number of industries, including affiliated Farm Credit associations, rural electric cooperatives and power supply companies, rural communications service providers and food and agribusiness companies.

"We're pleased to have recorded another period of strong financial performance on behalf of our customer-owners," said Robert B. Engel, CoBank's chief executive officer. "The bank experienced robust growth in its loan portfolio despite low growth in the broader economy, while profitability and credit quality remained strong. More importantly, the bank continued to fulfill its mission by providing dependable credit and financial services to vital industries in rural America."

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 \$157.5 million at September 30, 2015 from \$130.3 million at December 31, 2014. The bank's allowance for credit losses totaled \$601.5 million at quarter-end, or 1.46 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

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

Capital levels remain well in excess of regulatory minimums. As of September 30, 2015, shareholders' equity totaled \$7.8 billion, and the bank's permanent capital ratio was 15.6 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 \$25.1 billion in cash and investments and had 188 days of liquidity, which was in excess of FCA liquidity requirements.

Engel noted that, despite CoBank's strong financial performance, the operating environment continues to pose significant challenges for the bank as well as for the rural industries it finances. "The financial services industry continues to experience intense competition, margin compression and a long period of low interest rates that pressure returns on invested capital and investment securities," Engel said. "Meanwhile, customers in many of the industries we serve are adjusting to a significantly lower commodity price environment, a stronger dollar and political and regulatory uncertainty. Regardless of these challenges, our board and management team continue to focus on building the long-term financial strength and capacity of the bank and on providing our customers the support they need to be successful."

### **About CoBank**

CoBank is a \$110 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).

### **Contact**

Arthur Hodges  
Senior Vice President, Corporate Communications  
303-740-4061  
[ahodges@cobank.com](mailto:ahodges@cobank.com)

Kimberly Tebrugge  
Director of Corporate Communications  
303-793-2239  
[ktebrugge@cobank.com](mailto:ktebrugge@cobank.com)

Dan Sullivan  
Corporate Communications Manager  
303-793-2324  
[dsullivan@cobank.com](mailto:dsullivan@cobank.com)

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

**BALANCE SHEET INFORMATION**

	September 30, 2015	December 31, 2014
	(Unaudited)	
Loans	\$ 84,524	\$ 80,382
Less: Allowance for loan losses	460	481
Net loans	<u>84,064</u>	<u>79,901</u>
Cash and Cash Equivalents	1,361	1,856
Investment securities	23,720	24,320
Interest rate swaps and other financial instruments	445	456
Accrued interest receivable and other assets	895	895
Total assets	<u>\$ 110,485</u>	<u>\$ 107,428</u>
Bonds and notes	\$ 100,011	\$ 97,580
Subordinated debt	905	905
Interest rate swaps and other financial instruments	158	112
Reserve for unfunded commitments	141	116
Accrued interest payable and other liabilities	1,470	1,345
Total liabilities	<u>102,685</u>	<u>100,058</u>
Shareholders' equity	7,800	7,370
Total liabilities and shareholders' equity	<u>\$ 110,485</u>	<u>\$ 107,428</u>

**STATEMENT OF INCOME INFORMATION**

For the three months ended September 30,	2015	2014
	(Unaudited)	
Interest income	\$ 553	\$ 508
Interest expense	238	209
Net interest income	<u>315</u>	<u>299</u>
Provision for loan losses/(Loan loss reversal)	-	-
Net interest income after provision for loan losses/loan loss reversal	315	299
Noninterest income	42	33
Operating expenses	80	71
Provision for income taxes	41	36
Net income	<u>\$ 236</u>	<u>\$ 225</u>

**STATEMENT OF INCOME INFORMATION**

For the nine months ended September 30,	2015	2014
	(Unaudited)	
Interest income	\$ 1,623	\$ 1,550
Interest expense	683	630
Net interest income	<u>940</u>	<u>920</u>
Provision for loan losses/(Loan loss reversal)	10	(25)
Net interest income after provision for loan losses/loan loss reversal	930	945
Noninterest income	138	90
Operating expenses	233	216
Provision for income taxes	135	130
Net income	<u>\$ 700</u>	<u>\$ 689</u>