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COBANK REPORTS SECOND QUARTER FINANCIAL RESULTS

Bank Records Average Loan Volume Growth Of 14 Percent; Net Income Of $243.3 Million

DENVER (August 4, 2016) — 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 2016.

Net income for the second quarter increased 5 percent to $243.3 million, compared to $232.3 million in the second quarter of 2015. For the first six months of 2016, net income was $486.6 million, a 5 percent increase from $464.6 million in the same period last year. The increases in earnings primarily resulted from higher net interest income, partially offset by higher provisions for loan losses, increases in operating expenses and lower overall noninterest income in the 2016 period.

Net interest income for the second quarter was $345.9 million, a 12 percent increase compared to $309.4 million in the same period last year. For the first six months of the year, net interest income increased 9 percent to $682.8 million, compared to $624.6 million for the first six months of 2015. The increases in net interest income were primarily driven by higher average loan volume and increased earnings on balance sheet positioning, somewhat offset by spread compression in the bank's loan portfolio due to continued strong competition and a higher cost of short-term debt.

Average loan volume rose 14 percent in the second quarter to $92.4 billion, from $81.1 billion in the same period last year. For the first six months of 2016, average loan volume rose 13 percent to $91.1 billion, from $80.9 billion in the same period last year. The increases resulted from higher levels of borrowing from affiliated Farm Credit associations, agricultural cooperatives, other food and agribusiness companies, rural electric cooperatives, and rural communications service providers.

"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 rural industries."

At quarter-end, 0.63 percent of the bank's loans were classified as adverse assets compared to 0.71 percent at March 31, 2016. Nonaccrual loans decreased to $115.4 million at June 30, 2016 from $212.8 million at March 31, 2016. The bank's allowance for credit losses totaled $628.3 million at quarter-end or 1.32 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

Capital levels remain well in excess of regulatory minimums. As of June 30, 2016, shareholders' equity totaled $8.6 billion, and the bank's permanent capital ratio was 14.9 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank's independent regulator.

During the quarter, the bank redeemed at par plus accrued interest all of its outstanding 7.875 percent subordinated notes due in 2018, totaling approximately $405 million. The bank also issued $375 million in preferred stock. The new Series I non-cumulative perpetual preferred stock has a fixed dividend rate of 6.25 percent until October 1, 2026, after which the dividends will accrue at a floating rate.

"We continue to monitor the capital markets and capital regulations in order to optimize the effectiveness, quality and cost of our third-party capital, which enhances our lending capacity and our ability to serve the borrowing needs of our customers," said David P. Burlage, CoBank's chief financial officer.

At quarter-end, the bank held approximately $30.5 billion in cash and investments and had 200 days of liquidity, which was in excess of FCA liquidity requirements.

Engel noted that, despite strong financial results in the first half of the year, the bank continues to face challenges that have the potential to negatively impact earnings and overall financial performance over the balance of the year.

"CoBank's margins remain under pressure due to historically low interest rates as well as intense competition in the banking and finance industries for the business of our customers," Engel said. "In addition, it is possible we will see deterioration in credit quality as a result of lower commodity prices, a stronger dollar and other economic and geopolitical events or trends that impact many of our borrowers.

"Nonetheless, we remain highly confident in the overall financial condition of CoBank and in our ability to meet the needs of our customers. We continue to focus on building the long-term strength of the organization and on fulfilling our vital mission in rural America."

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.

Contact

Arthur Hodges
Senior Vice President, Corporate Communications
303-740-4061
ahodges@cobank.com

Daniel Sullivan
Senior Manager, Corporate Communications
303-793-2324
dsullivan@cobank.com

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

BALANCE SHEET INFORMATION

	June 30, 2016 (Unaudited)	December 31, 2015
Loans	$ 93,197	$ 89,041
Less: Allowance for loan losses	525	486
Net loans	92,672	88,555
Cash	2,230	3,113
Federal funds sold and other overnight funds	285	-
Investment securities	28,034	24,504
Interest rate swaps and other financial instruments	475	296
Accrued interest receivable and other assets	984	1,003
Total assets	$ 124,680	$ 117,471
Bonds and notes	$ 113,475	$ 106,970
Subordinated debt	499	903
Interest rate swaps and other financial instruments	264	113
Reserve for unfunded commitments	103	115
Accrued interest payable and other liabilities	1,691	1,560
Total liabilities	116,032	109,661
Shareholders' equity	8,648	7,810
Total liabilities and shareholders' equity	$ 124,680	$ 117,471

STATEMENT OF INCOME INFORMATION

For the three months ended June 30,	2016	2015
	(Unaudited)	
Interest income	$ 653	$ 534
Interest expense	308	225
Net interest income	345	309
Provision for loan losses	20	-
Net interest income after provision for loan losses	325	309
Noninterest income	51	49
Operating expenses	94	78
Provision for income taxes	39	48
Net income	$ 243	$ 232

STATEMENT OF INCOME INFORMATION

For the six months ended June 30,	2016	2015
	(Unaudited)	
Interest income	$ 1,284	$ 1,070
Interest expense	601	445
Net interest income	683	625
Provision for loan losses	28	10
Net interest income after provision for loan losses	655	615
Noninterest income	94	97
Operating expenses	181	153
Provision for income taxes	81	94
Net income	$ 487	$ 465