



## NEWS RELEASE

### COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

*Bank Records Average Loan Volume Growth Of 9 Percent; Net Income Of \$231.7 Million*

**DENVER (November 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 third quarter and first nine months of 2016.

Net income for the third quarter decreased 2 percent to \$231.7 million, compared to \$235.8 million in the third quarter of 2015. For the first nine months of 2016, net income increased 3 percent, to \$718.3 million. The primary reason for the quarter-over-quarter decrease in net income was a \$20 million provision for loan losses, compared to no provision taken in the same period last year. The third-quarter 2016 provision reflects a higher level of lending activity and deterioration in credit quality in the bank's Agribusiness operating segment.

Net interest income for the third quarter was \$334.0 million, a 6 percent increase compared to \$315.2 million in the same period last year. For the first nine months of 2016, net interest income increased 8 percent to \$1.017 billion, compared to \$939.8 million in the prior-year period. The increase in net interest income was primarily driven by higher average loan volume and increased earnings on balance sheet positioning, somewhat offset by lower overall spreads in the bank's loan and investment portfolios.

Average loan volume rose 9 percent during the quarter to \$90.9 billion, from \$83.2 billion in the third quarter of 2015. For the first nine months of 2016, average loan volume rose 12 percent to \$91.0 billion. The increases for both the quarter and year-to-date periods resulted from higher levels of borrowing in a number of customer segments, including affiliated Farm Credit associations, food and agribusiness companies, rural electric cooperatives, and rural communications service providers.

"CoBank continues to perform very well despite market conditions that remain challenging, including stresses in key sectors of the U.S. rural economy," said Bob Engel, CoBank's chief executive officer. "We are pleased with our results for the quarter, but our primary focus continues to be supporting our customers and ensuring they have access to the dependable credit and financial services they need to be successful."

At quarter-end, 0.75 percent of the bank's loans were classified as adverse assets, compared to 0.70 percent at December 31, 2015. Nonaccrual loans decreased slightly to \$150.2 million at September 30, 2016 from \$156.8 million at December 31, 2015. The bank's allowance for credit losses totaled \$647.9 million at quarter-end, or 1.45 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

"Lower commodity prices are affecting some of our agribusiness borrowers, which is starting to impact credit quality in that portion of our loan portfolio," said David P. Burlage, CoBank's chief financial officer. "Going forward, we expect some further deterioration in credit quality the longer that commodity prices remain depressed. Overall, however, credit quality is favorable, and the risk-bearing capacity of the bank remains very strong."

Capital levels remain well in excess of regulatory minimums. As of September 30, 2016, shareholders' equity totaled \$8.7 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 \$29.5 billion in cash and investments and had 191 days of liquidity, which was in excess of FCA liquidity requirements.

Engel noted that the bank is benefiting from the diversification of its business as the downturn in ag commodity prices persists. "CoBank's mission is to serve the backbone industries of rural America in good times and bad, regardless of conditions in the market," he said. "The fact that we serve the full spectrum of U.S. agribusiness, along with Farm Credit associations and rural infrastructure providers, enhances our ability to do that successfully. The bank remains financially strong and well-positioned to continue meeting the borrowing needs of its customers, today and over the long term."

### **About CoBank**

CoBank is a \$120 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](http://www.cobank.com).

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

**BALANCE SHEET INFORMATION**

	September 30, 2016	December 31, 2015
	(Unaudited)	
Loans	\$ 90,417	\$ 89,041
Less: Allowance for loan losses	520	486
Net loans	<u>89,897</u>	<u>88,555</u>
Cash	747	3,113
Federal funds sold and other overnight funds	650	-
Investment securities	28,095	24,504
Interest rate swaps and other financial instruments	362	296
Accrued interest receivable and other assets	999	1,003
Total assets	<u>\$ 120,750</u>	<u>\$ 117,471</u>
Bonds and notes	\$ 109,826	\$ 106,970
Subordinated debt	499	903
Interest rate swaps and other financial instruments	224	113
Reserve for unfunded commitments	128	115
Accrued interest payable and other liabilities	1,419	1,560
Total liabilities	<u>112,096</u>	<u>109,661</u>
Shareholders' equity	8,654	7,810
Total liabilities and shareholders' equity	<u>\$ 120,750</u>	<u>\$ 117,471</u>

**STATEMENT OF INCOME INFORMATION**

For the three months ended September 30,	2016	2015
	(Unaudited)	
Interest income	\$ 649	\$ 553
Interest expense	315	238
Net interest income	<u>334</u>	<u>315</u>
Provision for loan losses	20	-
Net interest income after provision for loan losses	<u>314</u>	<u>315</u>
Noninterest income	50	42
Operating expenses	95	80
Provision for income taxes	37	41
Net income	<u>\$ 232</u>	<u>\$ 236</u>

**STATEMENT OF INCOME INFORMATION**

For the nine months ended September 30,	2016	2015
	(Unaudited)	
Interest income	\$ 1,933	\$ 1,623
Interest expense	916	683
Net interest income	<u>1,017</u>	<u>940</u>
Provision for loan losses	48	10
Net interest income after provision for loan losses	<u>969</u>	<u>930</u>
Noninterest income	144	138
Operating expenses	276	233
Provision for income taxes	119	135
Net income	<u>\$ 718</u>	<u>\$ 700</u>