



## NEWS RELEASE

### COBANK REPORTS FULL-YEAR FINANCIAL RESULTS FOR 2016

*Average Loan Volume Grew 10 Percent; Net Earnings Increased To \$945.7 Million*

*2016 Patronage Distributions To Customers Will Total \$588.1 Million*

**DENVER (February 23, 2017)** — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the full year and fourth quarter of 2016.

Net income for the year rose 1 percent to \$945.7 million, reflecting increased net interest income offset by a greater provision for loan losses as well as higher Farm Credit insurance fund premiums and other operating expenses. Net interest income increased by 7 percent to \$1.4 billion, as a result of higher loan volume and increased earnings from balance sheet positioning, partially offset by lower spreads in the bank's loan and investment portfolios. CoBank's average loan volume increased 10 percent in 2016, to \$91.6 billion, driven by higher levels of borrowing from affiliated Farm Credit associations, grain cooperatives, food and agribusiness companies, rural electric cooperatives and communications service providers.

For the fourth quarter of 2016, net income was \$227.3 million compared to \$236.3 million in the same period of 2015. Earnings declined primarily due to a \$15 million provision for loan losses taken during the fourth quarter of 2016, which more than offset the positive impacts of higher net interest income. Net interest income for the quarter increased 3 percent to \$345.0 million as a result of higher average loan volume. Average loan volume increased 7 percent during the period, to \$93.2 billion.

"2016 marked another year of strong business and financial performance for CoBank," said Thomas Halverson, CoBank's chief executive officer. "Loan volume and net income reached all-time highs, while credit quality, liquidity and capital levels remained solid. Most importantly, we continued to fulfill our mission by delivering dependable credit to our customers, partnering effectively with other Farm Credit institutions, and providing support for rural industries and communities."

In March, the bank will distribute a record \$588.1 million in total patronage to customers, including \$473.9 million in cash and \$114.3 million in common stock. "Patronage is an important part of the value we provide as a financial cooperative," Halverson said. "It effectively lowers the overall cost of borrowing for customers while enabling them to build equity in the bank and have a voice in the governance of our business. We're delighted with the level of patronage approved by our board of directors and look forward to delivering this benefit to our customers in coming weeks."

Credit quality in CoBank's loan portfolio declined slightly during the year but remained favorable overall. Nonaccrual loans increased to 0.22 percent of total loans, compared to 0.18 percent of total loans at year-end 2015. Adverse assets were 0.81 percent of total loans at year-end, compared to 0.70 percent at December 31, 2015. CoBank recorded a \$63.0 million provision for loan losses in 2016 due to growth in

overall lending activity as well as credit quality deterioration in its Agribusiness operating segment. The bank's allowance for credit losses totaled \$662.5 million at year-end, or 1.37 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

"Agribusiness borrowers are facing a number of challenges, including the continuing softness in commodity prices, a strong dollar, and slower economic growth in China and other international markets," said David P. Burlage, chief financial officer. "It's possible CoBank will see further deterioration in credit quality as a result of these trends. That said, overall credit quality continues to be strong, and we remain confident in the bank's risk-bearing capacity and its continued ability to meet the borrowing needs of its customers."

Capital and liquidity levels at CoBank remain well in excess of regulatory minimums. As of December 31, 2016, shareholders' equity was \$8.6 billion, and the bank's permanent capital ratio was 15.47 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank's independent regulator. At year end, the bank held approximately \$30.2 billion in cash and investments. The bank had 197 days of liquidity at the end of 2016, which exceeded the FCA minimum.

Halverson noted that CoBank is dealing with a number of marketplace dynamics that could negatively affect earnings in the year ahead, including intense competition from other lenders, continued margin compression and a sustained low interest rate environment that impacts returns on invested capital. Nonetheless, he said, the bank remains fundamentally sound and well positioned to serve customers.

"CoBank is a unique financial institution with an intrinsically strong business model," Halverson said. "Under the guidance of our board, we remain focused on fulfilling our mission and building the financial strength and flexibility of the bank for the long term."

### **Customer Meetings and 2016 Earnings Webcast and Conference Call**

CoBank will provide more information about its 2016 financial results at its ongoing series of regional customer meetings, which will take place in multiple cities around the country through April of 2017. Managers and directors of any CoBank borrower are invited to attend these meetings, as are representatives of all Farm Credit institutions. For complete details about the meeting program, please visit the bank's meetings page at [www.cobank.com/meetings](http://www.cobank.com/meetings).

In addition, the bank will hold its annual year-end earnings conference call and webcast at 2 p.m. Eastern Time on Tuesday, March 7. The 60-minute call will feature a presentation of 2016 financial highlights and Q&A with CoBank executives and the chairman of the board.

To join via phone, call (866) 843-8302 and use passcode 66700900. To join via the Internet, click [here](#) or visit the "Newsroom & Financials" section of the CoBank web site.

### **About CoBank**

CoBank is a \$126 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).

**Additional information**

The 2016 financial results discussed herein are preliminary and unaudited. CoBank's audited financial statements for the year ended December 31, 2016 are expected to be available on or about March 7, 2017. Copies of this press release, as well as other information regarding CoBank, including its annual and quarterly financial statements, are available at 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)

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

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

**BALANCE SHEET INFORMATION**

	December 31, 2016	December 31, 2015
	(Unaudited)	
Loans	\$ 95,258	\$ 89,041
Less: Allowance for loan losses	559	486
Net loans	<u>94,699</u>	<u>88,555</u>
Cash and cash equivalents	1,661	3,113
Federal funds sold and other overnight funds	750	-
Investment securities	27,765	24,504
Interest rate swaps and other financial instruments	208	296
Accrued interest receivable and other assets	<u>1,048</u>	<u>1,003</u>
Total assets	<u><u>\$ 126,131</u></u>	<u><u>\$ 117,471</u></u>
Bonds and notes	\$ 115,086	\$ 106,970
Subordinated debt	499	903
Interest rate swaps and other financial instruments	163	113
Reserve for unfunded commitments	103	115
Accrued interest payable and other liabilities	<u>1,706</u>	<u>1,560</u>
Total liabilities	117,557	109,661
Shareholders' equity	<u>8,574</u>	<u>7,810</u>
Total liabilities and shareholders' equity	<u><u>\$ 126,131</u></u>	<u><u>\$ 117,471</u></u>

**STATEMENT OF INCOME INFORMATION**

For the year ended December 31,	2016	2015
	(Unaudited)	
Interest income	\$ 2,610	\$ 2,210
Interest expense	<u>1,248</u>	<u>937</u>
Net interest income	1,362	1,273
Provision for loan losses	<u>63</u>	<u>10</u>
Net interest income after provision for loan losses	1,299	1,263
Noninterest income	185	170
Operating expenses	380	325
Provision for income taxes	<u>158</u>	<u>171</u>
Net income	<u><u>\$ 946</u></u>	<u><u>\$ 937</u></u>