



## NEWS RELEASE

### COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

*Average Loan Volume Increases 11 Percent To \$89.8 Billion*

*Net Income Increases 5 Percent To \$243.3 Million*

**DENVER (May 5, 2016)** — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the first quarter of 2016.

Net income for the quarter was \$243.3 million, a 5 percent increase from \$232.2 million in the first quarter of 2015. The increase in earnings primarily resulted from higher net interest income, partially offset by increased operating expenses.

Net interest income for the quarter rose 7 percent to \$336.9 million, from \$315.3 million in the same period last year, primarily due to higher average loan volume.

Average loan volume rose 11 percent in the first quarter to \$89.8 billion, from \$80.6 billion in the same period last year. The increase was driven by higher levels of borrowing from affiliated Farm Credit associations as well as customers in a number of industries, including rural electric cooperatives, rural communications service providers, and food and agribusiness companies.

“We’re pleased with CoBank’s results for the quarter and the strong start we’ve experienced this year,” said Robert B. Engel, CoBank’s chief executive officer. “Though operating conditions are challenging in a number of the industries we serve, the strength of the CoBank value proposition is helping to drive broad-based growth across all segments in our portfolio.”

The bank’s financial results for the first quarter of 2016 included an \$8.0 million provision for loan losses as compared to a \$10.0 million provision recorded in the prior-year period. The provision primarily reflected the increase in average loan volume and a slight deterioration in credit quality in CoBank’s agribusiness portfolio. At quarter-end, 0.71 percent of CoBank’s loans were classified as adverse assets, compared to 0.70 percent at December 31, 2015. Nonaccrual loans increased to \$212.8 million at March 31, 2016 from \$156.8 million at December 31, 2015, primarily due to credit issues involving a small number of customers in our agribusiness operating segment. The bank’s allowance for credit losses totaled \$609.7 million at quarter-end, or 1.31 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

“Overall credit quality in our loan portfolio remains very strong,” said David P. Burlage, CoBank’s chief financial officer. “To date, we have not seen significant impacts to loan quality measures as a result of lower commodity prices and other challenges facing rural industries. While it’s possible we could see further credit quality deterioration in the future, we remain confident in the risk-bearing capacity of the bank and its ability to serve our customers’ borrowing needs.”

Capital levels for CoBank remained well in excess of regulatory minimums. As of March 31, 2016, shareholders' equity totaled \$8.1 billion, and the bank's permanent capital ratio was 14.8 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 \$26.4 billion in cash and investments and had 180 days of liquidity, which was in excess of FCA liquidity requirements.

Engel noted that, despite solid first quarter results, CoBank continues to face a number of persistent challenges, including ongoing low interest rates, a flat yield curve and intense competition from other lenders. In addition, the bank is making substantial investments in people, processes and systems designed to enhance the value it delivers to the marketplace.

"Our cooperative structure remains an important advantage in this environment," Engel said. "Under the guidance of our board, we have built the flexibility we need to stay focused on the long-term needs of our borrowers, many of whom are dealing with significant headwinds of their own. CoBank remains financially strong, and well positioned to continue fulfilling its broad mission of service to rural America."

### **About CoBank**

CoBank is a \$118 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).

### **Contact**

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

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

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

**BALANCE SHEET INFORMATION**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	<b>(Unaudited)</b>	
Loans	\$ 90,706	\$ 89,041
Less: Allowance for loan losses	504	486
Net loans	<u>90,202</u>	<u>88,555</u>
Cash	714	3,113
Federal funds sold and other highly-liquid assets	150	-
Investment securities	25,691	24,504
Interest rate swaps and other financial instruments	430	296
Accrued interest receivable and other assets	876	1,003
Total assets	<u><u>\$ 118,063</u></u>	<u><u>\$ 117,471</u></u>
Bonds and notes	\$ 107,433	\$ 106,970
Subordinated debt	903	903
Interest rate swaps and other financial instruments	220	113
Reserve for unfunded commitments	105	115
Accrued interest payable and other liabilities	1,312	1,560
Total liabilities	<u>109,973</u>	<u>109,661</u>
Shareholders' equity	8,090	7,810
Total liabilities and shareholders' equity	<u><u>\$ 118,063</u></u>	<u><u>\$ 117,471</u></u>

**STATEMENT OF INCOME INFORMATION**

For the three months ended March 31,	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	
Interest income	\$ 630	\$ 535
Interest expense	293	220
Net interest income	<u>337</u>	<u>315</u>
Provision for loan losses	8	10
Net interest income after provision for loan losses	<u>329</u>	<u>305</u>
Noninterest income	43	47
Operating expenses	87	75
Provision for income taxes	42	45
Net income	<u><u>\$ 243</u></u>	<u><u>\$ 232</u></u>