



## NEWS RELEASE

### COBANK REPORTS FULL YEAR FINANCIAL RESULTS FOR 2015

*Net Earnings Increased To \$936.7 Million; 16<sup>th</sup> Consecutive Year Of Growth In Profitability*

*2015 Patronage Distributions To Customers Will Total A Record \$514.1 Million*

**DENVER (March 1, 2016)** — 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 2015.

CoBank reported net income of \$936.7 million for the year, up 4 percent from \$904.3 million in 2014. The increase was driven primarily by higher net interest income and lower net losses on debt extinguishments. Net interest income increased 3 percent to \$1.3 billion, driven by higher average loan volume. Average loan volume rose 8 percent to \$83.1 billion.

“By virtually any financial measure, the year 2015 was one of exceptional performance for CoBank,” said Robert B. Engel, CoBank’s chief executive officer. “The bank recorded its 16th consecutive year of growth in profitability, an accomplishment unlikely matched by any other financial institution in the world. Loan volume and profitability reached all-time highs and credit quality, liquidity and capital levels remained very strong. Most importantly, we continued to serve our customers and fulfill our mission delivering dependable credit and financial services to vital rural industries.”

During the year, the bank saw higher loan volume from customers in a variety of industries and segments, including agricultural cooperatives, food and agribusiness companies, electric distribution cooperatives, power supply customers, and communications service providers. Wholesale lending to affiliated Farm Credit associations also increased due to growth in market share and greater borrowing from their agricultural producer customers. “We are pleased with the robust growth in loan volume we experienced last year despite modest growth in the broader economy,” Engel said.

In March, the bank will distribute a record \$514.1 million in total patronage – over half of the bank’s earnings for the year – including \$416.0 million in cash and \$98.1 million in common stock. For most customers, that will represent 100 basis points of average qualifying loan volume during the past year, effectively lowering their overall net cost of debt capital from CoBank. “We’re delighted with the level of patronage our board has approved this year, the largest in company history,” said Engel. “Strong, dependable patronage is an essential part of the value proposition we offer to our customers and an important benefit of doing business with CoBank.”

Credit quality in CoBank’s loan portfolio continued to be very strong. The bank’s allowance for credit losses totaled \$601.6 million at year-end, or 1.36 percent of non-guaranteed loans when loans to Farm Credit associations are excluded. As of December 31, 2015, nonaccrual loans were \$156.8 million, or 0.18 percent of total loans, compared to \$130.3 million and 0.16 percent of total loans at year-end 2014. Adverse assets were 0.70 percent of total loans at year-end, compared to 1.84 percent at

December 31, 2014. Adversely classified loans and related accrued interest at December 31, 2014 included a wholesale loan to one of CoBank's affiliated associations, which merged with another of the bank's affiliated associations during 2015. The merged association's loan is classified as acceptable.

"We continue to benefit from the strong credit profile of the rural industries we serve," said David P. Burlage, chief financial officer. "As always, credit quality can be impacted by market conditions in the rural economy, and it's possible we will see deterioration from today's levels as a result of lower commodity prices and other challenges facing our customers. That said, we are pleased with our overall credit quality and confident in the bank's risk-bearing capacity and continued ability to meet the borrowing needs of its customers."

For the fourth quarter of 2015, average loan volume increased 12 percent, to \$87.2 billion as compared to the fourth quarter of 2014. Net income for the quarter was \$236.3 million, an increase of 10 percent from \$215.4 million in the same period of 2014. Net interest income also increased 7 percent, to \$333.5 million. CoBank recorded no provision for loan losses during the fourth quarter of 2015, compared to a \$10.0 million provision in the prior-year period.

Capital and liquidity levels at the bank remain well in excess of regulatory minimums. As of December 31, 2015, shareholders' equity was \$7.8 billion, and the bank's permanent capital ratio was 14.95 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 \$27.6 billion in cash and investments. The bank had 199 days of liquidity at the end of 2015, which exceeded the FCA minimum.

Engel noted that despite CoBank's strong performance in 2015, the bank continues to face a number of challenges, including intense competition from other banks and lenders for the business of its customers, the need for significant investment in people, processes and technologies to improve the customer experience, a flatter yield curve, and continued low interest rates that negatively impact returns on invested capital.

"In spite of these headwinds, our cooperative structure ensures we remain aligned with and focused on the needs of our customers – as both customers and shareholders – and on building the financial and operational capacity of the bank for the long term," Engel said. "We are grateful for the enormous trust our customers place in CoBank and are deeply thankful that they choose us to serve as their financial partner."

### **Customer Meetings and 2015 Earnings Webcast and Conference Call**

CoBank will provide more information about its 2015 financial results at its ongoing series of regional customer meetings, which will take place in multiple cities around the country through April of 2016. 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 conference call and webcast at 11 a.m. Eastern Time on Thursday, March 10. The 60-minute call will feature a presentation of 2015 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 42614905. To join via the Internet, click [here](#) or visit the "Newsroom & Financials" section of the CoBank web site.

### **About CoBank**

CoBank is a \$117 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).

### **Additional information**

The 2015 financial results discussed herein are preliminary and unaudited. CoBank's audited financial statements for the year ended December 31, 2015 are expected to be available on or about March 7, 2016. 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).

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

**BALANCE SHEET INFORMATION**

	December 31, 2015	December 31, 2014
	(Unaudited)	
Loans	\$ 89,041	\$ 80,382
Less: Allowance for loan losses	486	481
Net loans	<u>88,555</u>	<u>79,901</u>
Cash	3,113	1,856
Investment securities	24,504	24,320
Interest rate swaps and other financial instruments	296	456
Accrued interest receivable and other assets	<u>1,003</u>	<u>848</u>
Total assets	<u><u>\$ 117,471</u></u>	<u><u>\$ 107,381</u></u>
Bonds and notes	\$ 106,970	\$ 97,535
Subordinated debt	903	902
Interest rate swaps and other financial instruments	113	112
Reserve for unfunded commitments	115	116
Accrued interest payable and other liabilities	<u>1,560</u>	<u>1,346</u>
Total liabilities	109,661	100,011
Shareholders' equity	<u>7,810</u>	<u>7,370</u>
Total liabilities and shareholders' equity	<u><u>\$ 117,471</u></u>	<u><u>\$ 107,381</u></u>

**STATEMENT OF INCOME INFORMATION**

For the year ended December 31,	2015	2014
	(Unaudited)	
Interest income	\$ 2,210	\$ 2,075
Interest expense	937	843
Net interest income	<u>1,273</u>	<u>1,232</u>
Provision for loan losses/(loan loss reversal)	<u>10</u>	<u>(15)</u>
Net interest income after provision for loan losses/loan loss reversal	1,263	1,247
Noninterest income	170	124
Operating expenses	325	304
Provision for income taxes	<u>171</u>	<u>163</u>
Net income	<u><u>\$ 937</u></u>	<u><u>\$ 904</u></u>