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NEWS RELEASE

COBANK REPORTS FULL YEAR FINANCIAL RESULTS FOR 2017

Average Loan Volume Increased 5 Percent To $96.0 Billion

Net Income Increased 19 Percent To $1.125 Billion Primarily Due To Impact Of Tax Reform Legislation

Bank Will Distribute $610 Million In Patronage In March 2018

DENVER (February 22, 2018) — 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 2017.

Average loan volume for CoBank increased 5 percent to $96.0 billion, reflecting increased lending across all three of the bank's operating segments. Net interest income increased 2 percent to $1.393 billion, driven primarily by higher average loan volume. Net income for 2017 rose 19 percent to $1.125 billion due in large part to recently enacted federal tax reform legislation. Excluding the impact of tax reform, net income rose 4 percent to $983.0 million from $945.7 million in 2016, due to the combination of greater net interest income and a lower provision for loan losses.

"We're pleased with our financial performance for the year, which reflected solid organic growth in our business as well as an unexpected benefit from the new tax law," said Thomas Halverson, CoBank's president and chief executive officer. "Despite ongoing challenges in the financial services industry as well as many of the rural industries we serve, we ended the year in strong financial condition and well-positioned to continue fulfilling our mission in rural America."

The Tax Cuts and Jobs Act of 2017 was signed into law in December and lowered the U.S. corporate tax rate from 35 percent to 21 percent beginning in 2018. For CoBank, a key impact was the effect that the legislation had on assets in the bank's leasing subsidiary. In accordance with Generally Accepted Accounting Principles, CoBank was required to remeasure the deferred tax liabilities recorded against those assets at the new lower corporate tax rate, which when netted with other deferred tax adjustments resulted in a significant one-time tax benefit of $142.3 million.

"More important than the one-time boost to CoBank's 2017 financials will be the long-term benefit of the lower corporate tax rate in future years," Halverson said. "Given the current size and makeup of our business, we expect the reduced rate to lower our effective tax rate by roughly one third. As a customer-owned cooperative, it will be important that we make sure the incremental value created by the tax legislation predominantly benefits our customer-owners and other key stakeholders. Our board and executive team will be considering this matter carefully in 2018 to determine the most appropriate course of action for our business and our shareholders."

For the fourth quarter of 2017, average loan volume increased 4 percent to $96.7 billion as compared to the fourth quarter of 2016. Net interest income increased 2 percent to $351.0 million, driven by growth in overall loan volume. Net income for the quarter was $391.1 million compared to $227.3 million in the prior-year period, primarily due to the benefits of tax reform legislation described above. Excluding the impact from tax reform, net income for the quarter increased $21.5 million over the fourth quarter 2016, due to increased net interest income, a lower provision for loan losses and higher fee income.

In March of this year, CoBank will distribute $610.4 million in patronage to customer-owners, including $491.8 million in cash and $118.6 million in common stock. “Strong, sustainable patronage is a key component of the CoBank value proposition,” Halverson said. “We’re pleased with the level of patronage approved by our board and look forward to delivering this benefit to our eligible borrowers.”

Net interest margin declined to 1.12 percent in 2017 from 1.14 percent in 2016, and interest rate spread decreased to 1.00 percent from 1.06 percent. The reduction in net interest margin included the impact of lower fair value accretion income and slightly lower overall loan spreads. For the fourth quarter 2017, net interest margin declined to 1.12 percent from 1.13 percent in the same period in 2016.

“Margins in the financial services industry have declined steadily in recent years due to a combination of marketplace challenges, including intense competition and low interest rates,” said David P. Burlage, chief financial officer. “While we certainly hope that margin pressure eases in the coming year, there is no guarantee that will occur. We will continue to manage our assets and liabilities to position the bank optimally for the current and anticipated interest rate environment.”

Credit quality in CoBank’s loan portfolio declined slightly during 2017 but remained favorable overall. Nonaccrual loans totaled $246.8 million, or 0.25 percent of total loans, as of the end of the year compared to $207.2 million, or 0.22 percent of total loans, at the end of the prior year. The bank recorded a $42 million provision for loan losses during the year due to overall loan growth as well as a slight deterioration in credit quality in its Agribusiness operating segment, compared to a $63 million provision in 2016. CoBank’s allowance for credit losses, which protects the bank’s capital base against losses embedded in its loan portfolio, totaled $670.8 million at year-end or 1.33 percent of nonguaranteed loans when wholesale loans to Farm Credit associations are excluded.

The bank’s capital and liquidity levels remain well in excess of regulatory minimums. As of December 31, 2017, shareholders’ equity was $9.1 billion, and the bank’s total capital ratio was 15.24 percent, compared with the 8.0 percent minimum (10.5 percent inclusive of the fully phased-in capital conservation buffer) established by the Farm Credit Administration (FCA), the bank’s independent regulator. At year-end, the bank held approximately $29.2 billion in cash and investments. The bank had 176 days of liquidity at the end of 2017, which exceeded the FCA minimum.

“Financial strength and stability are critical to our ability to serve customers and fulfill our mission in rural America,” Halverson said. “We hope our customers and other stakeholders continue to have confidence in our financial stewardship given the strong results delivered last year on their behalf.”

Customer Meetings and 2017 Earnings Webcast and Conference Call

CoBank will provide more information about its 2017 financial results at its ongoing series of regional customer meetings, which will take place in multiple cities around the country through April of 2018. 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.

In addition, the bank will hold its annual year-end earnings conference call and webcast at 2 p.m. Eastern Time on Tuesday, March 6. The 60-minute call will feature a presentation of 2017 financial highlights and Q&A with CoBank executives and the chairman of the board.

To join via phone, call 833-659-7625 and use passcode 1261979. To join via the internet, click here or visit the “Newsroom & Financials” section of the CoBank web site.

About CoBank

CoBank is a $129 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 more than 70,000 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.

Forward-Looking Statements

Certain of the statements contained in this news release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual future business may differ materially and adversely from our expectations expressed in any forward-looking statements. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “target,” “may,” “will,” “should,” “would,” “could,” or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized. These forward-looking statements are based on current knowledge and subject to risks and uncertainties. We encourage you to read our Annual Report and Quarterly Reports located on the bank’s website at www.cobank.com. We undertake no obligation to revise or publicly update our forward-looking statements for any reason.

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

BALANCE SHEET INFORMATION

	December 31, 2017	December 31, 2016
	(Unaudited)	
Loans	$ 99,266	$ 95,258
Less: Allowance for loan losses	577	559
Net loans	98,689	94,699
Cash and cash equivalents	1,314	1,661
Federal funds sold and other overnight funds	1,035	750
Investment securities	26,870	27,765
Interest rate swaps and other financial instruments	181	208
Accrued interest receivable and other assets	1,122	1,048
Total assets	$ 129,211	$ 126,131
Bonds and notes	$ 118,406	$ 115,086
Subordinated debt	-	499
Interest rate swaps and other financial instruments	87	163
Reserve for unfunded commitments	94	103
Accrued interest payable and other liabilities	1,564	1,706
Total liabilities	120,151	117,557
Shareholders' equity	9,060	8,574
Total liabilities and shareholders' equity	$ 129,211	$ 126,131

STATEMENT OF INCOME INFORMATION

For the year ended December 31,	2017	2016
	(Unaudited)	
Interest income	$ 3,141	$ 2,610
Interest expense	1,748	1,248
Net interest income	1,393	1,362
Provision for loan losses	42	63
Net interest income after provision for loan losses	1,351	1,299
Noninterest income	175	185
Operating expenses	386	380
Provision for income taxes	15	158
Net income	$ 1,125	$ 946