NEWS RELEASE

COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

Average Loan Volume Increased 4 Percent to $98.1 Billion

Net Income Increased 38 Percent to $291.3 Million

DENVER (November 5, 2018) — 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 2018. Average loan volume increased for both the quarter and year-to-date periods, and the bank experienced robust growth in net income.

"We are pleased with our financial results and the overall business performance of the bank on behalf of our customer-owners," said Thomas Halverson, CoBank's president and chief executive officer. "We have benefited from a number of non-recurring items in 2018, while the underlying performance of our core business has also been strong. CoBank remains in excellent financial condition and well-positioned to meet the needs of its customers across rural America."

Average loan volume rose 4 percent in the third quarter to $98.1 billion, from $94.1 billion in the same period last year. For the first nine months of 2018, average loan volume rose 5 percent to $100.3 billion, from $95.8 billion in the same period last year. The increases resulted primarily from an increase in borrowing from grain and farm supply cooperatives as well as affiliated Farm Credit associations.

Net interest income increased 1 percent to $341.1 million in the third quarter of the year, from $338.5 million in the same period last year. The increase was driven by higher loan volume largely offset by lower earnings on balance sheet positioning and a decrease in fair value accretion income resulting from CoBank's 2012 merger with U.S. AgBank. For the first nine months of the year, net interest income increased 4 percent to $1,085 million, compared to $1,042 million for the first nine months of 2017, due to higher loan volume as well as increases in returns on invested capital. These items were partially offset by lower earnings on balance sheet positioning.

Net income for the third quarter of 2018 increased 38 percent to $291.3 million, compared to $211.6 million in the third quarter of 2017. In addition to higher net interest income, key drivers of the increase included lower losses on early extinguishments of debt, a lower provision for loan losses, higher fee income, a lower provision for income taxes, higher gains on the sale of investment securities and a decrease in operating expenses.

For the first nine months of 2018, net income increased 28 percent to $937.1 million from $734.2 million in the same period of 2017. Key drivers of the year-to-date increase included higher net interest income, gains recognized on the sale of investment securities, a return of $35 million in excess Farm Credit insurance funds in the first quarter of 2018, and lower income tax and operating expenses as compared to the 2017 period. These positive factors were partially offset by a higher provision for loan losses during the current year-to-date period.

Net interest margin for the third quarter was 1.06 percent, compared to 1.09 percent a year ago. The decrease in net interest margin was primarily driven by lower earnings on balance sheet positioning and lower accretion income during the current quarter as compared to the same quarter in 2017. For the first nine months of 2018, net interest margin remained unchanged at 1.11 percent.

At quarter-end, 1.12 percent of CoBank's loans were classified as adverse assets, compared to 1.00 percent at December 31, 2017. Nonaccrual loans increased to $377.8 million as of September 30, 2018, from $246.8 million at December 31, 2017, primarily due to credit quality deterioration impacting a small number of agribusiness and rural infrastructure customers. The bank's allowance for credit losses totaled $689.9 million at quarter-end, or 1.43 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

"Despite continued credit softening, overall credit quality for CoBank remains solid by historical measures," said David P. Burlage, CoBank's chief financial officer. "In addition, the bank's strong allowance serves as an important layer of protection for the bank against losses in our loan portfolio."

The bank's capital levels remained in excess of regulatory minimums. As of September 30, 2018, shareholders' equity totaled $9.1 billion, and the bank's total capital ratio was 15.92 percent, compared with 8.0 percent (10.5 percent inclusive of the fully phased-in capital conservation buffer) minimum established by the Farm Credit Administration, the bank's independent regulator. At quarter-end, the bank held approximately $29.0 billion in cash, investments and overnight funds and had 165 days of liquidity, which was in excess of regulatory liquidity requirements.

During the third quarter, the bank made a special all-cash patronage distribution totaling $96.2 million as part of the company's plan to share the benefits of recently enacted federal tax legislation with eligible borrowers and other key stakeholders. The distribution was incremental to standard patronage payments the bank typically makes in March of each year.

"We are delighted with the feedback we have received from our customer-owners about the special patronage distribution," Halverson said. "Patronage is an important part of CoBank's value proposition as a financial cooperative, and our customers appreciate that we shared this incremental value with them."

About CoBank

CoBank is a $128 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 website at cobank.com.

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

BALANCE SHEET INFORMATION

	September 30, 2018 (Unaudited)	December 31, 2017
Loans	$ 98,335	$ 99,266
Less: Allowance for loan losses	586	577
Net loans	97,749	98,689
Cash	220	1,314
Federal funds sold and other overnight funds	426	1,035
Investment securities	28,324	26,870
Interest rate swaps and other financial instruments	280	181
Accrued interest receivable and other assets	1,005	1,122
Total assets	$ 128,004	$ 129,211
Bonds and notes	$ 117,172	$ 118,406
Interest rate swaps and other financial instruments	195	87
Reserve for unfunded commitments	104	94
Accrued interest payable and other liabilities	1,475	1,564
Total liabilities	118,946	120,151
Shareholders' equity	9,058	9,060
Total liabilities and shareholders' equity	$ 128,004	$ 129,211

STATEMENT OF INCOME INFORMATION

For the three months ended September 30,	2018	2017
	(Unaudited)	
Interest income	$ 1,005	$ 799
Interest expense	664	461
Net interest income	341	338
Provision for loan losses	3	23
Net interest income after provision for loan losses	338	315
Noninterest income	58	18
Operating expenses	88	92
Provision for income taxes	17	29
Net income	$ 291	$ 212

STATEMENT OF INCOME INFORMATION

For the nine months ended September 30,	2018	2017
	(Unaudited)	
Interest income	$ 2,947	$ 2,308
Interest expense	1,862	1,266
Net interest income	1,085	1,042
Provision for loan losses	43	38
Net interest income after provision for loan losses	1,042	1,004
Noninterest income	234	122
Operating expenses	262	279
Provision for income taxes	77	113
Net income	$ 937	$ 734