



CoBank First Quarter 2019 Financial Results

Key Financial Data (\$ in millions)

INCOME STATEMENT	1Q19	1Q18
Net interest income	\$ 360	\$ 371
Provision for loan losses	28	50
Noninterest income	64	81
Operating expenses	93	85
Net income	273	284

BALANCE SHEET (period-end)	1Q19	1Q18
Total loans	\$ 104,954	\$ 102,285
Total assets	138,347	133,402
Shareholders' equity	9,808	8,976

PROFITABILITY METRICS	1Q19	1Q18
Net interest margin	1.06%	1.15%
Return on avg common equity	12.47%	14.27%
Return on avg assets	0.80%	0.87%
Operating expense ratio	20.54%	18.14%

Financial Highlights

- ❖ Average loan volume rose 4 percent to \$105.8 billion, from \$101.7 billion in 1Q18
 - Loan growth driven by lending across all three operating segments: agricultural export and corporate finance (Agribusiness), rural energy and water (Rural Infrastructure) and affiliated Farm Credit associations (Farm Credit Banking)
- ❖ Net income decreased 4 percent to \$272.5 million, driven primarily by a reduction in noninterest income and net interest income, partially offset by lower provisions for loan losses and income taxes
- ❖ Net interest income decreased 3 percent to \$359.7 million, driven by lower earnings on balance sheet positioning and lower spreads in our loan portfolio, partially offset by an increase in earnings on invested capital and higher average loan volume
- ❖ \$28.0 million provision for loan losses, which primarily reflects a higher level of overall Agribusiness lending activity and deterioration in credit quality in our Rural Infrastructure operating segment and to a lesser extent our Agribusiness operating segment
- ❖ Noninterest income decreased 21 percent to \$64.2 million primarily due to a lower level of returned excess insurance funds from the Farm Credit System Insurance Corporation
- ❖ Operating expenses increased \$8.3 million primarily driven by an increase in employee compensation expense
- ❖ Overall credit quality remained strong
- ❖ Capital and liquidity levels in excess of regulatory minimums
 - Total capital ratio was 14.77 percent, compared with the 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
 - 172 days of liquidity, which was in excess of regulatory liquidity requirements
- ❖ Net interest margin declined to 1.06 percent, which includes the impact of lower earnings on balance sheet positioning and lower spreads in our loan portfolio

Operating Segments (\$ in millions)

	AGRIBUSINESS		RURAL INFRASTRUCTURE		FARM CREDIT BANKING	
	1Q19	1Q18	1Q19	1Q18	1Q19	1Q18
Period-end loan volume	\$ 33,826	\$ 34,409	\$ 20,973	\$ 21,028	\$ 50,155	\$ 46,848
Average loan volume	34,512	33,644	21,212	21,043	50,083	46,970
Net income	135	133	81	90	57	61

CEO & CFO Commentary

"CoBank delivered solid financial performance during the first quarter. Though net income declined – primarily as a result of non-recurring items – lending increased across all three of our operating segments, and credit quality and capital remained strong. Our board and executive team remain focused on building the long-term financial strength and capacity of the enterprise in order to ensure that we can continue to serve our customers with excellence and fulfill our mission in rural America. We greatly appreciate the support of our customer-owners and are grateful for the trust they place in CoBank as their financial partner."

-- Thomas Halverson, President & CEO, CoBank

"Despite continuing stresses across many agricultural sectors, overall credit quality in our loan portfolio remains strong and in line with historical averages. The increase we saw in adverse assets in the quarter was primarily attributable to specific customers rather than systemic issues in any portion of our portfolio. We continue to apply disciplined underwriting and credit administration practices while also working patiently with borrowers who are experiencing challenges."

-- David Burlage, CFO, CoBank



CoBank First Quarter 2019 Financial Results

BALANCE SHEET INFORMATION

(\$ in millions)	March 31, 2019 (unaudited)	December 31, 2018
Loans	\$ 104,954	\$ 104,494
Less: Allowance for loan losses	653	622
Net loans	104,301	103,872
Cash	170	1,368
Federal funds sold and other overnight funds	523	1,300
Investment securities	31,704	31,292
Interest rate swaps and other financial instruments	310	256
Accrued interest receivable and other assets	1,339	928
Total assets	\$ 138,347	\$ 139,016
Bonds and notes	\$ 126,886	\$ 127,632
Interest rate swaps and other financial instruments	192	155
Reserve for unfunded commitments	77	82
Accrued interest payable and other liabilities	1,384	1,612
Total liabilities	128,539	129,481
Shareholders' equity	9,808	9,535
Total liabilities and shareholders' equity	\$ 138,347	\$ 139,016

STATEMENT OF INCOME INFORMATION

(\$ in millions)	March 31, 2019 (unaudited)	March 31, 2018
Interest income	\$ 1,167	\$ 929
Interest expense	807	558
Net interest income	360	371
Provision for loan losses	28	50
Net interest income after provision for loan losses	332	321
Noninterest income	64	81
Operating expenses	93	85
Provision for income taxes	30	33
Net income	\$ 273	\$ 284



CoBank First Quarter 2019 Financial Results

Forward-Looking Statement

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 results 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.

About CoBank

CoBank is a \$138 billion cooperative bank serving vital industries across rural America. The bank provides commercial 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.

Media Contacts

Arthur Hodges
SVP Corporate Communications
303-740-4061
ahodges@cobank.com

Jo Solonika
VP Corporate Communications
720-583-9180
jsolonika@cobank.com