NEWS RELEASE

COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

Average Loan Volume Increased 4 Percent to $101.7 Billion

Net Income Increased 8 Percent to $284.4 Million

DENVER (May 7, 2018) — 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 2018.

Net income rose 8 percent to $284.4 million in the first quarter of 2018, compared to $262.8 million in the first quarter last year. As further detailed below, the increase was driven by a combination of factors, including higher net interest income, higher noninterest income, and lower operating and income tax expenses. These factors were partially offset by a higher provision for loan losses.

Net interest income increased 4 percent to $371.0 million, from $356.1 million in the same period last year. The increase resulted primarily from higher average loan volume as well as higher returns on invested capital. Noninterest income increased 48 percent to $81.4 million, primarily due to the return of $35 million in excess insurance funds from the Farm Credit System Insurance Corporation.

Average loan volume rose 4 percent to $101.7 billion, from $97.9 billion in the same period last year. The increase resulted primarily from growth in lending to grain and farm supply cooperatives and to affiliated Farm Credit associations.

“We’re pleased to have begun 2018 with another period of solid financial performance on behalf of our customer-owners and other stakeholders,” said CoBank President and CEO Thomas Halverson. “Despite ongoing challenges in the rural economy impacting many of the industries we finance, the bank continues to generate strong results, meet the financial needs of its customers and fulfill its mission of service to rural America.”

CoBank recorded a $50 million provision for loan losses in the first quarter of 2018, compared to $15 million in the prior-year period, due to specific reserves for a small number of agribusiness and rural infrastructure customers, overall credit quality deterioration and growth in average loan volume. Operating expenses declined by $8.1 million primarily due to a reduction in Farm Credit insurance fund premiums. Income tax expense declined by $7.2 million due to the positive impacts of federal tax legislation enacted in December 2017.

Net interest margin rose to 1.15 percent in the first quarter of 2018 from 1.14 percent in the same period last year. The improvement in margin primarily reflected an increased level of seasonal lending to grain and farm supply customers as well as increased earnings on invested capital.

“Like most lenders, CoBank has experienced downward pressure on margins for a prolonged period due to low interest rates, intense competition in the banking industry and other factors,” said David P. Burlage, CoBank's chief financial officer. "While it is encouraging to see a slight increase in net interest margin in the first quarter, a higher level of seasonal lending drove that change. We will continue to manage our assets and liabilities to position the bank optimally for the evolving interest rate environment."

Credit quality in the bank's loan portfolio remained generally favorable, despite some deterioration due to low commodity prices and other challenges impacting rural industries. Nonaccrual loans increased to $325.8 million at March 31, 2018, from $246.8 million at December 31, 2017. At quarter-end, 1.0 percent of the bank's loans were classified as adverse assets, unchanged from the end of last year. The bank's allowance for credit losses totaled $721.0 million at quarter-end, or 1.32 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

CoBank's capital and liquidity levels remained well in excess of regulatory minimums. As of March 31, 2018, shareholders' equity totaled $9.0 billion, and the bank's total capital ratio was 14.55 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. At quarter-end, the bank held approximately $30.4 billion in cash, investments and overnight funds, and had 176 days of liquidity, which was in excess of regulatory liquidity requirements.

"We remain focused on building the financial position of the bank, including the strength of our balance sheet, while investing in our operating platform," Halverson said. "In an uncertain market environment, we must be able to manage multiple risks to ensure our long-term ability to serve customers. CoBank continues to perform well in this regard and is well-positioned for the future."

About CoBank

CoBank is a $133 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.

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

BALANCE SHEET INFORMATION

	March 31, 2018 (Unaudited)	December 31, 2017
Loans	$ 102,285	$ 99,266
Less: Allowance for loan losses	645	577
Net loans	101,640	98,689
Cash	128	1,314
Federal funds sold and other overnight funds	895	1,035
Investment securities	29,393	26,870
Interest rate swaps and other financial instruments	234	181
Accrued interest receivable and other assets	1,112	1,122
Total assets	$ 133,402	$ 129,211
Bonds and notes	$ 123,158	$ 118,406
Interest rate swaps and other financial instruments	150	87
Reserve for unfunded commitments	76	94
Accrued interest payable and other liabilities	1,042	1,564
Total liabilities	124,426	120,151
Shareholders' equity	8,976	9,060
Total liabilities and shareholders' equity	$ 133,402	$ 129,211

STATEMENT OF INCOME INFORMATION

For the three months ended March 31,	2018	2017
	(Unaudited)	
Interest income	$ 929	$ 738
Interest expense	558	382
Net interest income	371	356
Provision for loan losses	50	15
Net interest income after provision for loan losses	321	341
Noninterest income	81	55
Operating expenses	85	93
Provision for income taxes	33	40
Net income	$ 284	$ 263