



NEWS RELEASE

COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

Net Income Increased 11 Percent To \$231.3 Million

DENVER (May 5, 2014) — 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 2014.

Net income for the first quarter rose 11 percent to \$231.3 million, from \$208.8 million in the first quarter of 2013. Profitability increased due to higher net interest income, the lack of a provision for loan losses and higher noninterest income.

Net interest income for the quarter increased 2 percent to \$309.0 million, from \$302.4 million in the same period last year. Higher average loan volume was a key driver of the increase, as were higher earnings derived from the bank's balance sheet positioning.

Average loan volume rose 4 percent in the first quarter to \$76.4 billion, from \$73.4 billion in the same period last year. The increase resulted from higher levels of borrowing in a number of customer segments, including affiliated Farm Credit associations, rural power providers and food and agribusiness companies, partially offset by lower seasonal borrowing by grain and farm supply cooperatives.

"We're very pleased with our results for the quarter and the strong start we've experienced this year," said Robert B. Engel, CoBank's chief executive officer. "Demand for credit strengthened in some areas of the rural economy, and we continued to benefit from strong credit quality in our loan portfolio. CoBank remains well positioned to meet the financial needs of its customers and to continue fulfilling its mission of service to rural America."

No provision for loan losses was taken in the first quarter of 2014, whereas the bank recorded a \$15.0 million provision in the same period last year. Noninterest income increased to \$38.3 million in the first quarter of 2014 compared to \$25.8 million in the same period last year, due to a decrease in losses on early extinguishments of debt, net of prepayment income, and gains on the sale of investment securities.

At quarter-end, 0.71 percent of the bank's loans were classified as adverse assets, unchanged from December 31, 2013. Nonaccrual loans were \$150.1 million at March 31, 2014, compared to \$147.8 million at December 31, 2013. The bank's allowance for credit losses totaled \$614.9 million at quarter-end, or 1.62 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

Capital levels remain well in excess of regulatory minimums. As of March 31, 2014, shareholders' equity totaled \$6.8 billion, and the bank's permanent capital ratio was 15.7 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank's independent regulator. At quarter-end, the bank held approximately \$23.3 billion in cash and investments and had 164 days of liquidity, which was in excess of FCA liquidity requirements.

“We continue to manage our capital position and look for opportunities to further enhance our capacity and optimize our overall cost and quality of capital,” said David P. Burlage, chief financial officer.

Despite loan volume growth in the first quarter, Engel noted that it is premature to predict how demand for credit and financial services in the industries served by the bank will trend across the balance of the year.

“Some of the market conditions we experienced last year, including extremely low grain volumes at country elevators, have improved,” Engel said. “However, we continue to face other market challenges, including intense competition and a low interest rate environment that has pressured returns on invested capital for all banks. As always, CoBank is focused not on short-term results but on maintaining the financial strength of the bank, operating efficiently, delighting our customers and fulfilling our mission in rural America.”

About CoBank

CoBank is a \$102 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.

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

BALANCE SHEET INFORMATION

	March 31, 2014	December 31, 2013
	(Unaudited)	
Loans	\$ 77,500	\$ 73,603
Less: Allowance for loan losses	467	447
Net loans	<u>77,033</u>	<u>73,156</u>
Cash	559	1,335
Investment securities	22,696	21,688
Interest rate swaps and other financial instruments	593	674
Accrued interest receivable and other assets	748	791
Total assets	<u><u>\$ 101,629</u></u>	<u><u>\$ 97,644</u></u>
Bonds and notes	\$ 92,722	\$ 88,458
Subordinated debt	905	905
Interest rate swaps and other financial instruments	108	121
Reserve for unfunded commitments	148	168
Accrued interest payable and other liabilities	929	1,287
Total liabilities	<u>94,812</u>	<u>90,939</u>
Shareholders' equity	<u>6,817</u>	<u>6,705</u>
Total liabilities and shareholders' equity	<u><u>\$ 101,629</u></u>	<u><u>\$ 97,644</u></u>

STATEMENT OF INCOME INFORMATION

For the three months ended March 31,	2014	2013
	(Unaudited)	
Interest income	\$ 520	\$ 495
Interest expense	211	193
Net interest income	<u>309</u>	<u>302</u>
Provision for loan losses	-	15
Net interest income after provision for loan losses	<u>309</u>	<u>287</u>
Noninterest income	38	26
Operating expenses	70	66
Provision for income taxes	46	38
Net income	<u><u>\$ 231</u></u>	<u><u>\$ 209</u></u>