

CoBank 2013 Financial Results

Proud Member of the
Farm Credit System 

 COBANK[®]

Participants



Everett Dobrinski

Chairman of the Board



Robert Engel

Chief Executive Officer



David Burlage

Chief Financial Officer

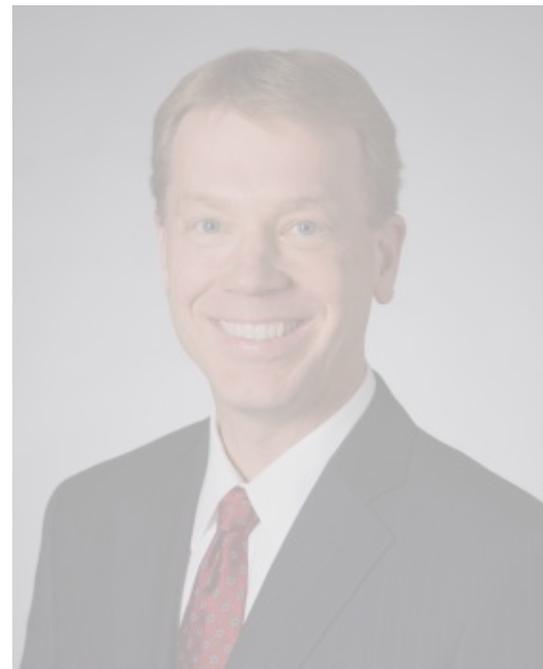
Overview



Everett Dobrinski
Chairman of the Board



Robert Engel
Chief Executive Officer



David Burlage
Chief Financial Officer

2013 Financial Results



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Chairman of the Board

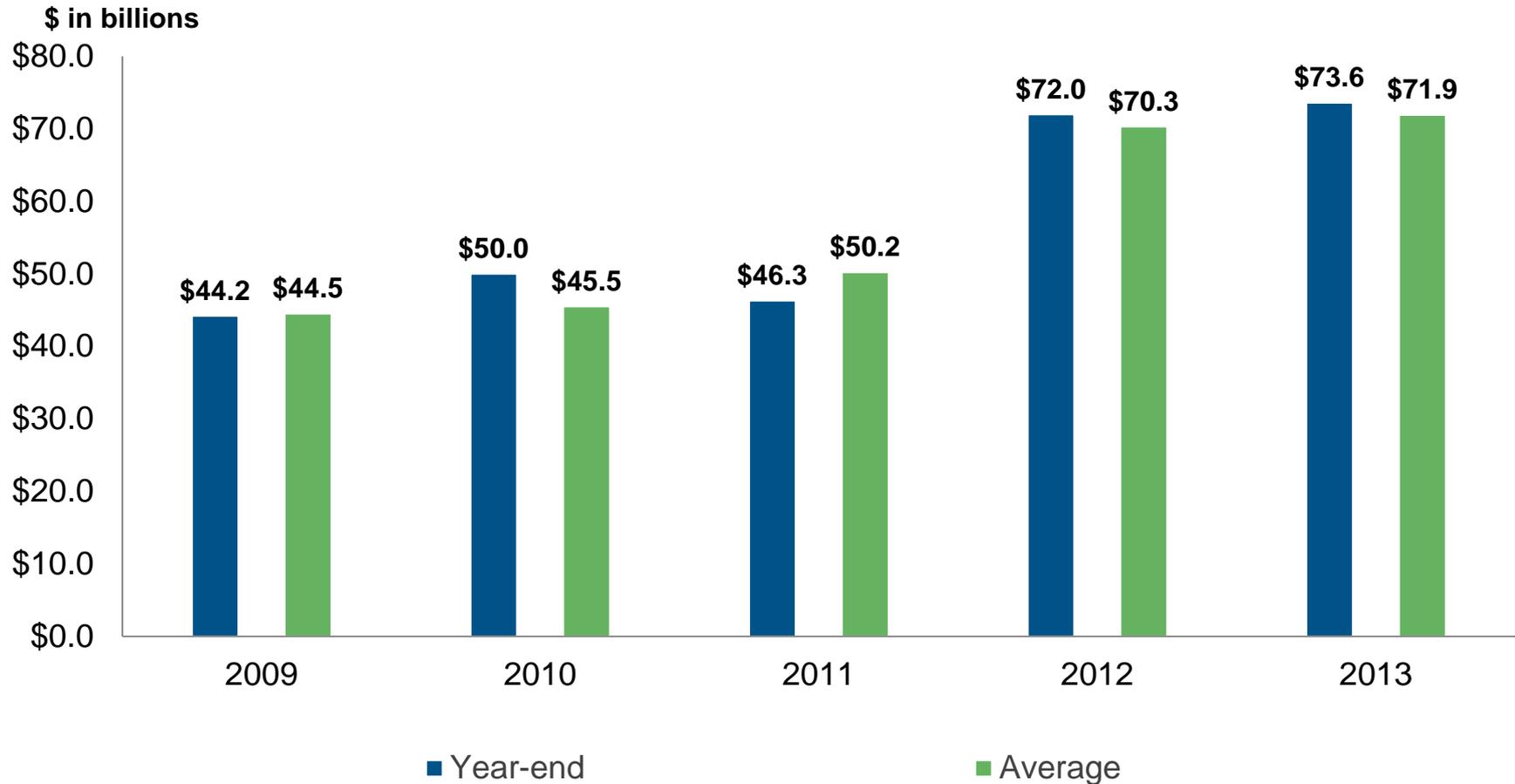


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Chief Executive Officer



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Loan Volume



- 2013 reflects growth in loans to Farm Credit association and rural energy customers
- Significant increase in 2012 volume resulted from U.S. AgBank merger

CoBank Business Profile – Three Business Segments

Agribusiness



- Regional Cooperatives & Agribusinesses
- Large and Diversified Ag Cooperatives & Agribusinesses
- Food Companies and Other Eligible Borrowers
- Ag Export Financing
- Farm Credit Leasing
- Farm Credit System Purchased Participations

Strategic Relationships



- 27 Affiliated Associations
- Nonaffiliated Associations
- Farm Credit Banks

Rural Infrastructure



- Electric Distribution Cooperatives
- Power Supply Companies
- Energy Services Providers
- Communications Companies
- Water & Waste Water Companies

We focus on the customer through three business segments – Agribusiness, Strategic Relationships and Rural Infrastructure

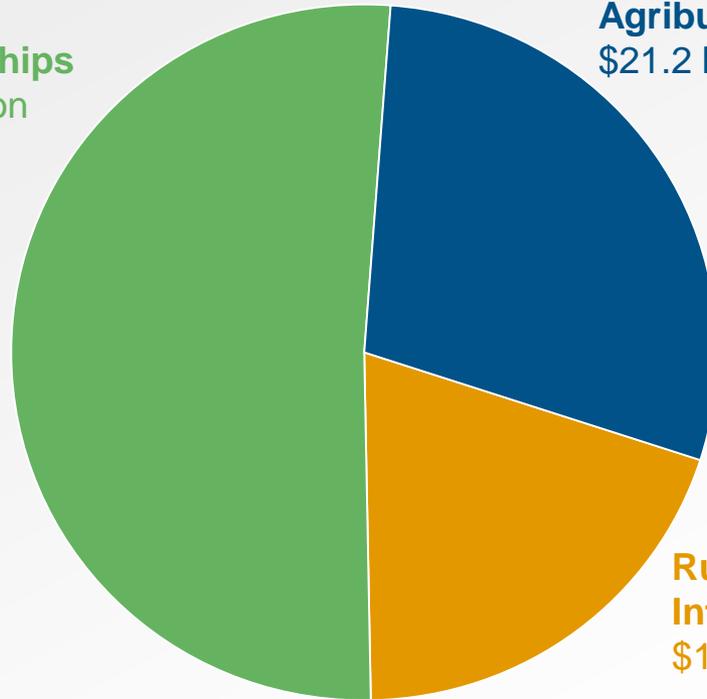
Loan Portfolio

Total \$73.6 billion

Strategic Relationships
\$37.9 billion

Agribusiness
\$21.2 billion

Rural Infrastructure
\$14.5 billion

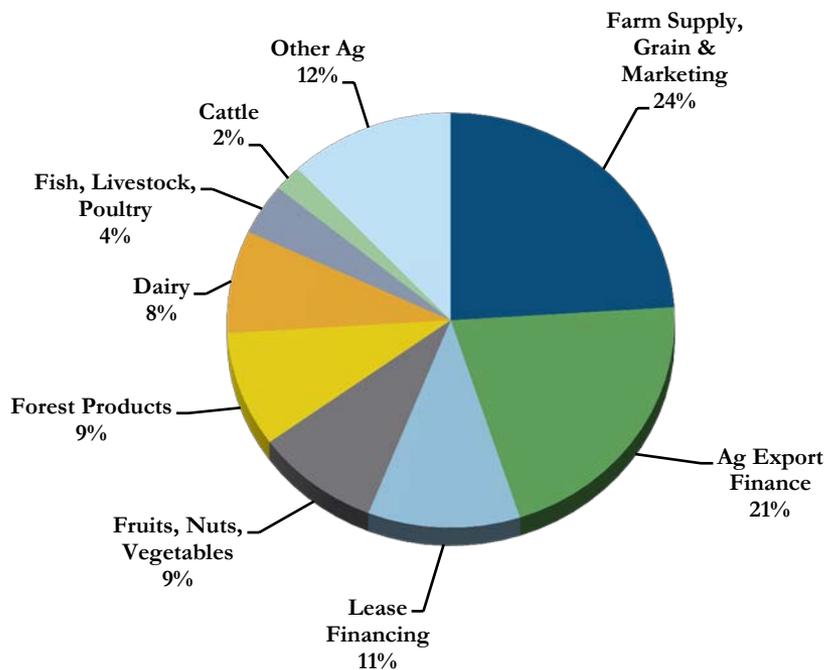


Loan diversification is a key component of overall financial strength

(as of December 31, 2013)

Agribusiness

\$21.2 billion at December 31, 2013



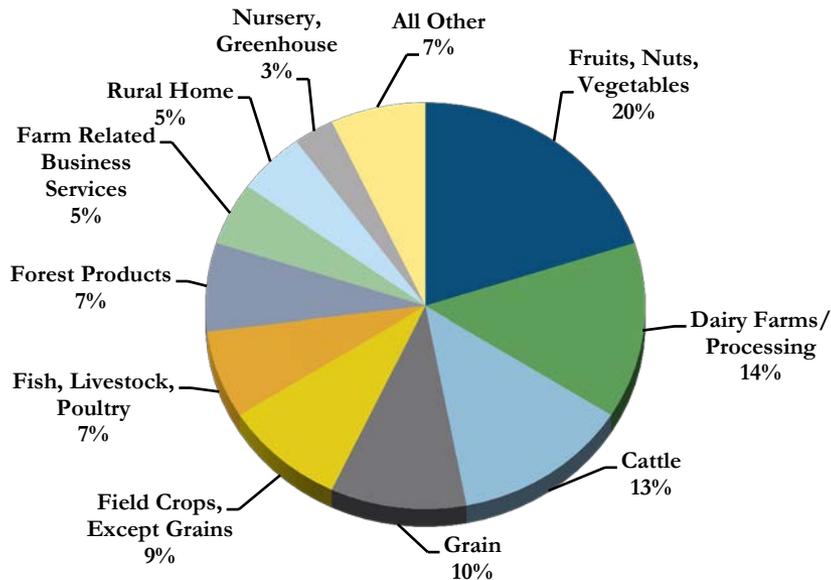
Financial Highlights

\$ in millions	As of and for the year ended December 31,		
	2013	2012	2011
Period-end Loans	\$21,182	\$21,394	\$18,869
Average Loans	\$21,077	\$22,209	\$23,104
Net Income	\$380	\$410	\$438
Nonaccrual Loans	\$53	\$70	\$80

- Lower 2013 average loan volume resulted from a lower level of seasonal lending
- Includes \$4.5 billion in export financing and \$2.3 billion in leases

Strategic Relationships

\$37.9 billion at December 31, 2013



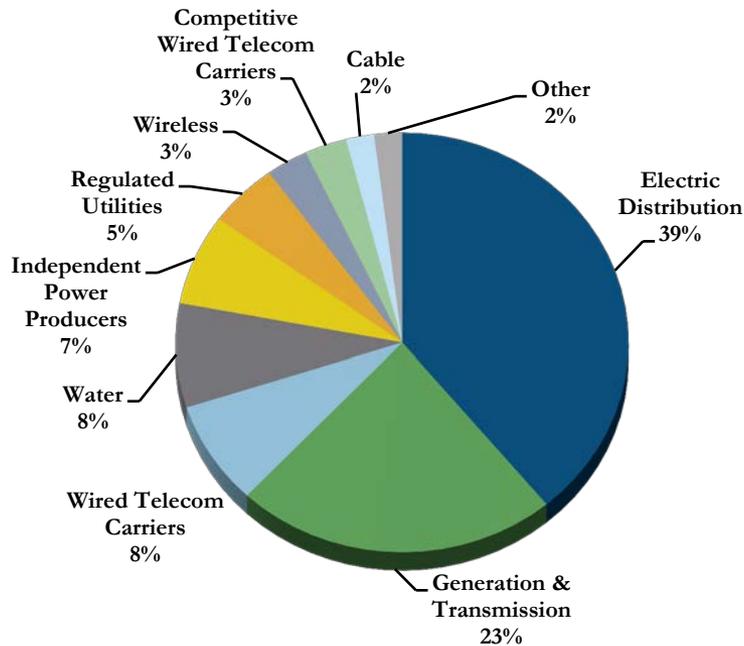
Financial Highlights

\$ in millions	As of and for the year ended December 31,		
	2013	2012	2011
Period-end Loans	\$37,897	\$36,707	\$15,236
Average Loans	\$36,565	\$34,976	\$15,215
Net Income	\$255	\$246	\$81
Nonaccrual Loans	\$---	\$---	\$---

- Includes \$34.0 billion of loans to affiliated Farm Credit associations and \$3.9 billion of loan participations in the direct notes of other Farm Credit banks
- Significant increase in 2012 volume and earnings resulted from U.S. AgBank merger

Rural Infrastructure

\$14.5 billion at December 31, 2013



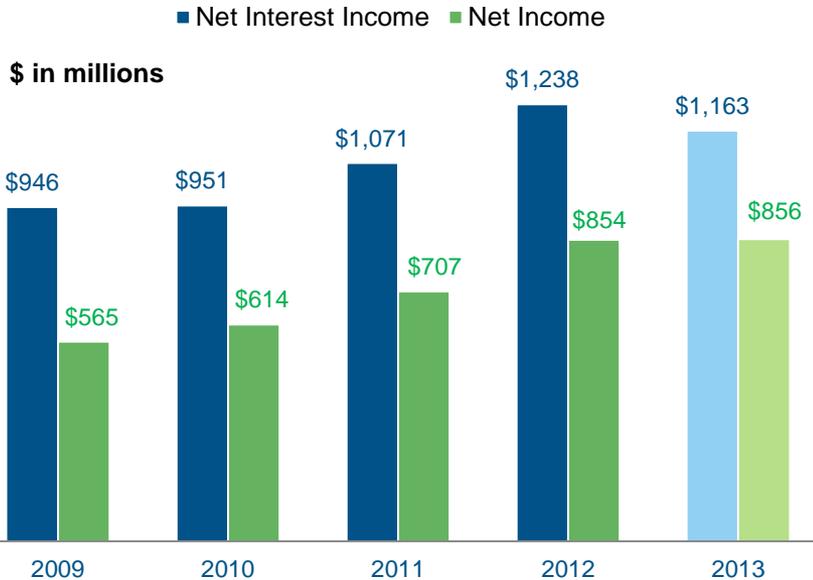
Financial Highlights

\$ in millions	As of and for the year ended December 31,		
	2013	2012	2011
Period-end Loans	\$14,524	\$13,879	\$12,180
Average Loans	\$14,215	\$13,086	\$11,880
Net Income	\$230	\$208	\$194
Nonaccrual Loans	\$95	\$100	\$55

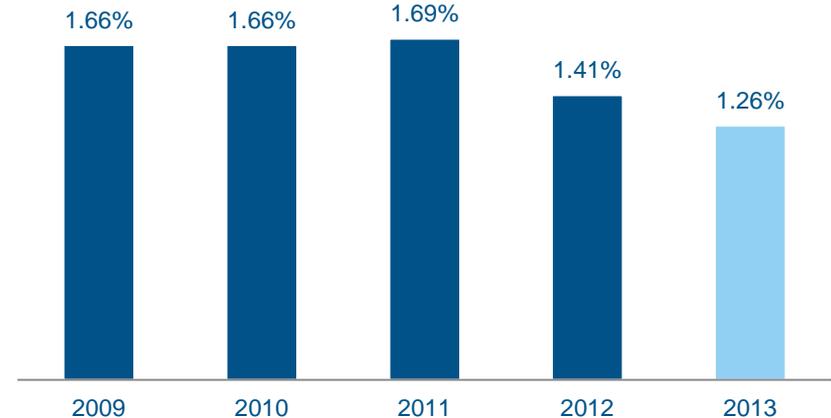
Loan growth driven by lending to power supply and electric distribution customers

Profitability

Earnings and Net Interest Income



Net Interest Margin

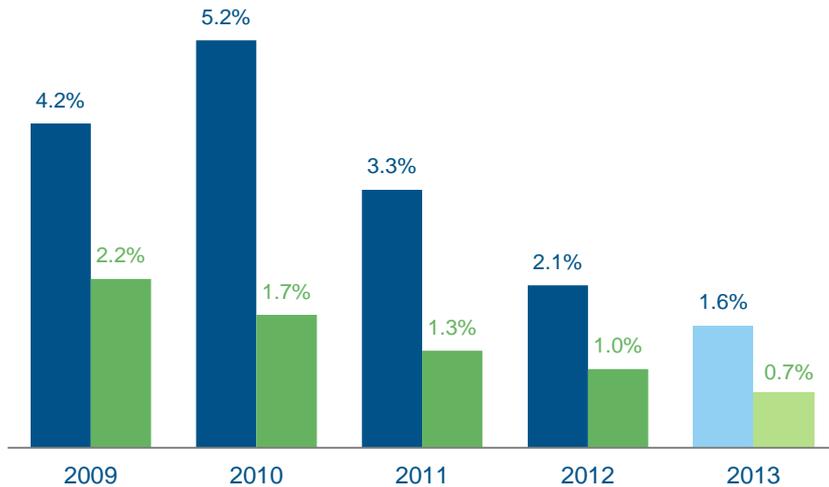


- 2013 earnings benefited from the absence of a provision for loan losses
- Net interest income and margin declined in 2013 due to lower seasonal volume and continued low interest rates

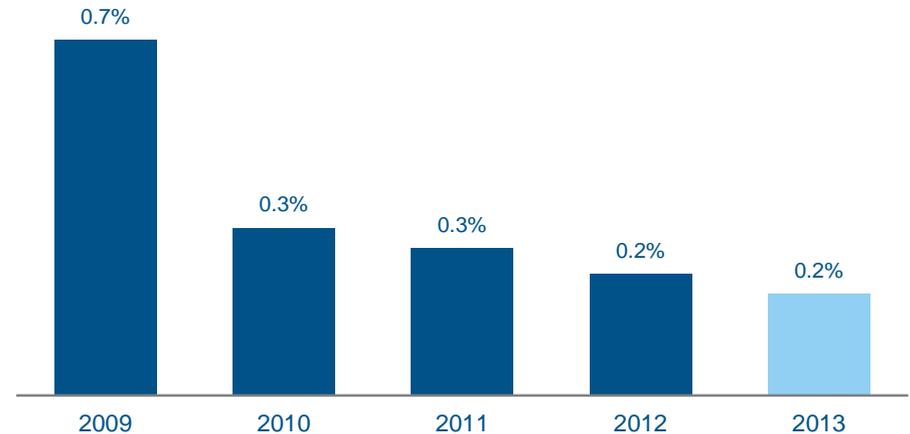
Loan Quality

Criticized and Adverse Loans / Total Loans

■ Criticized/Total Loans ■ Adverse/Total Loans



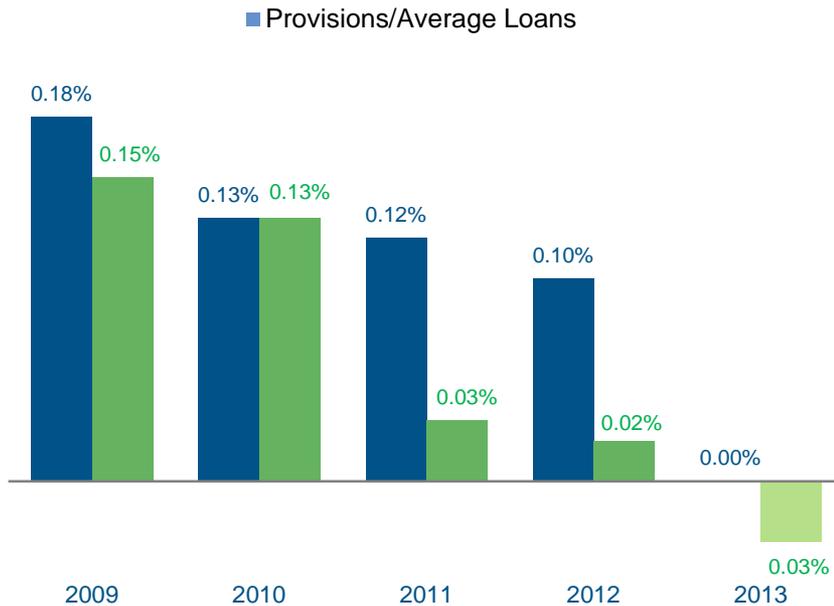
Nonaccrual Loans / Total Loans



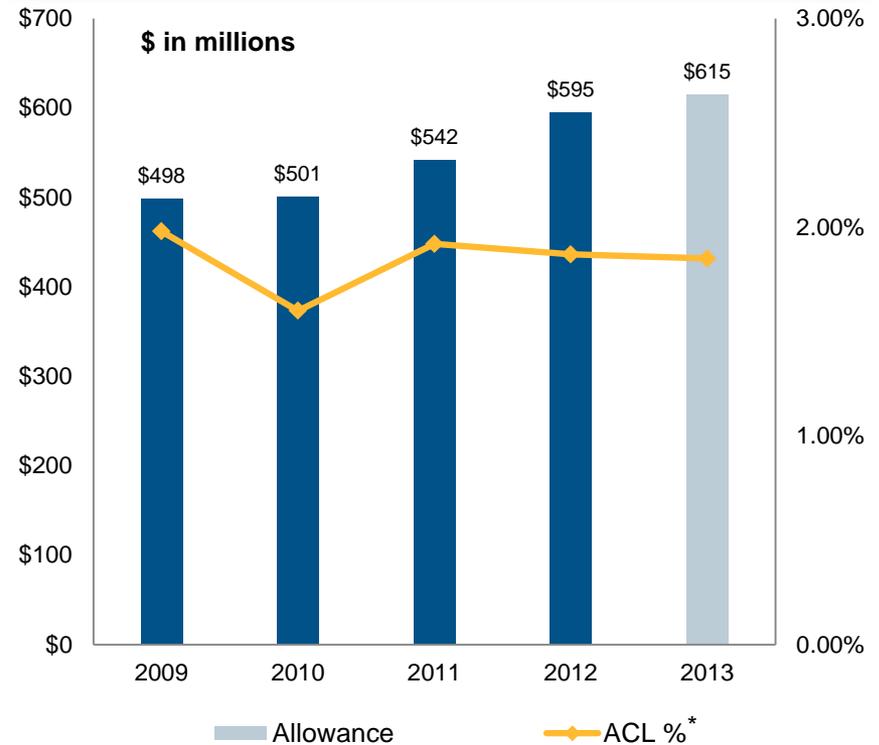
Loan quality is very strong, with only 0.20 percent of loans in nonaccrual

Provisions and Reserves

Provisions and Net Charge-Offs (Recoveries)



Allowance for Credit Losses

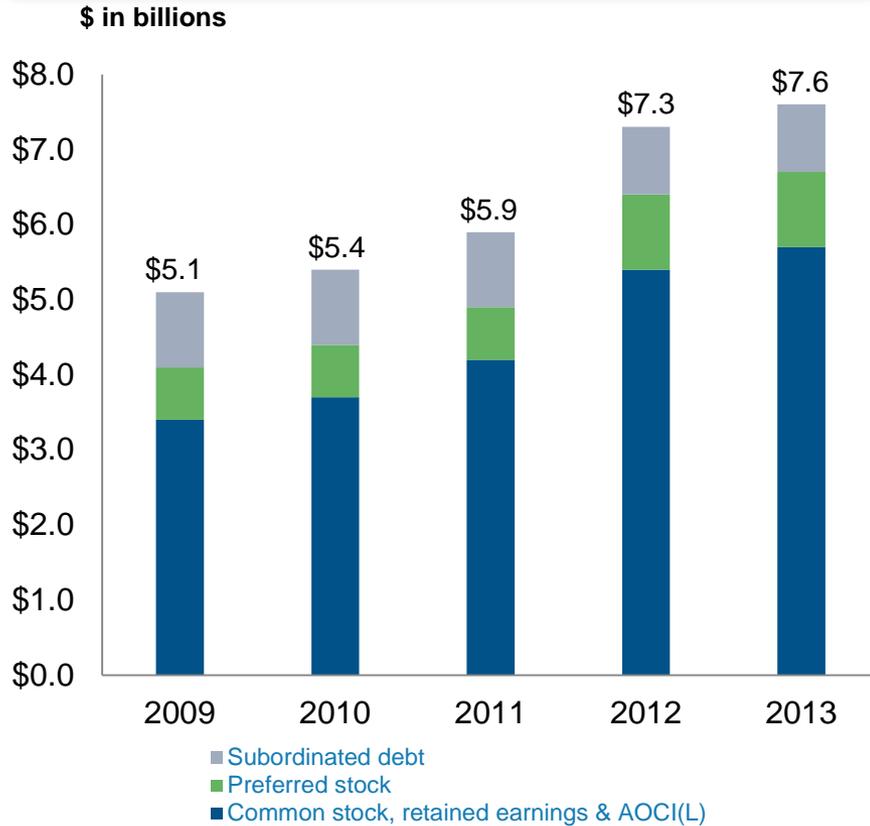


* ACL as a percentage of non-guaranteed loans (excluding loans to Associations)

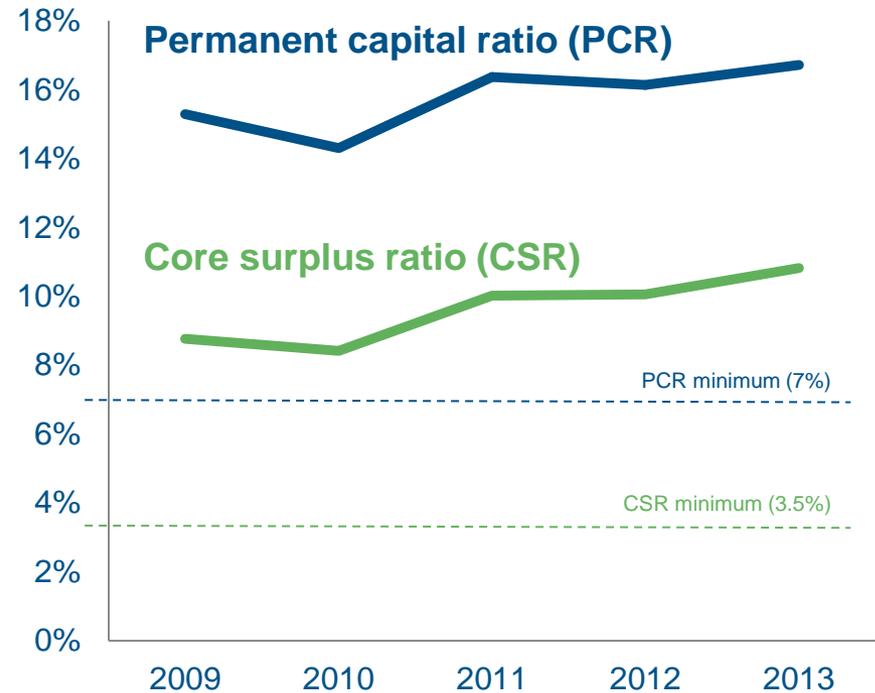
- We did not record a provision for loan losses in 2013
- Our allowance for credit losses contributes to our overall financial strength and risk-bearing capacity

Capital

Capital By Type



Key Capital Ratios



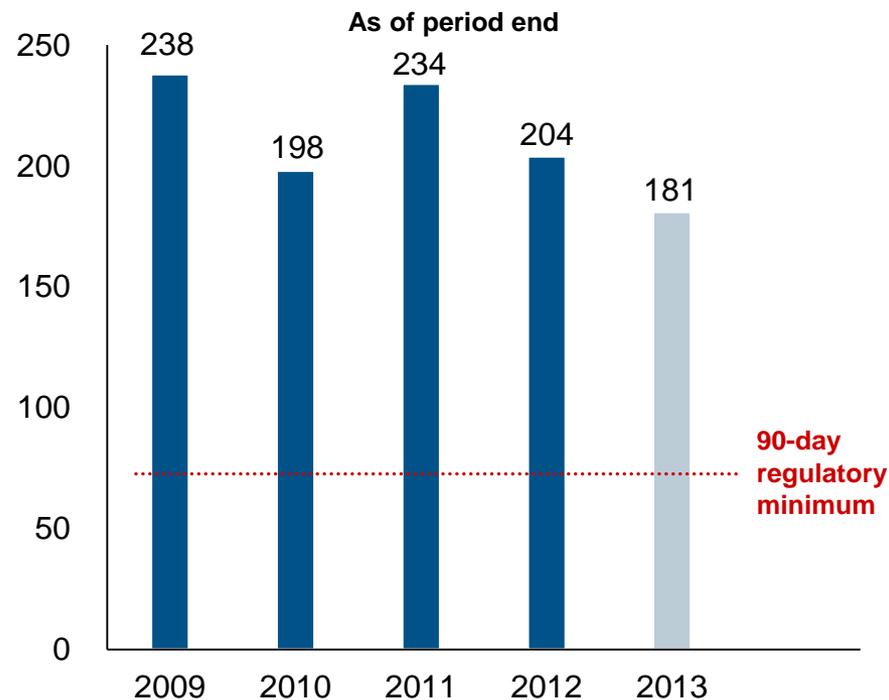
Capital increased by \$263 million in 2013

Funding and Liquidity

Debt By Type

\$ in millions	Amount	% of Debt
Bonds – Noncallable	\$57,243	64.0%
Designated Bonds – Noncallable	9,306	10.4%
Bonds – Callable, Other	6,767	7.6%
Discount Notes	12,395	13.9%
S/T Customer Investments and Other	2,747	3.1%
Subordinated Debt	905	1.0%
Total	\$89,363	100.0%

Total Days Liquidity

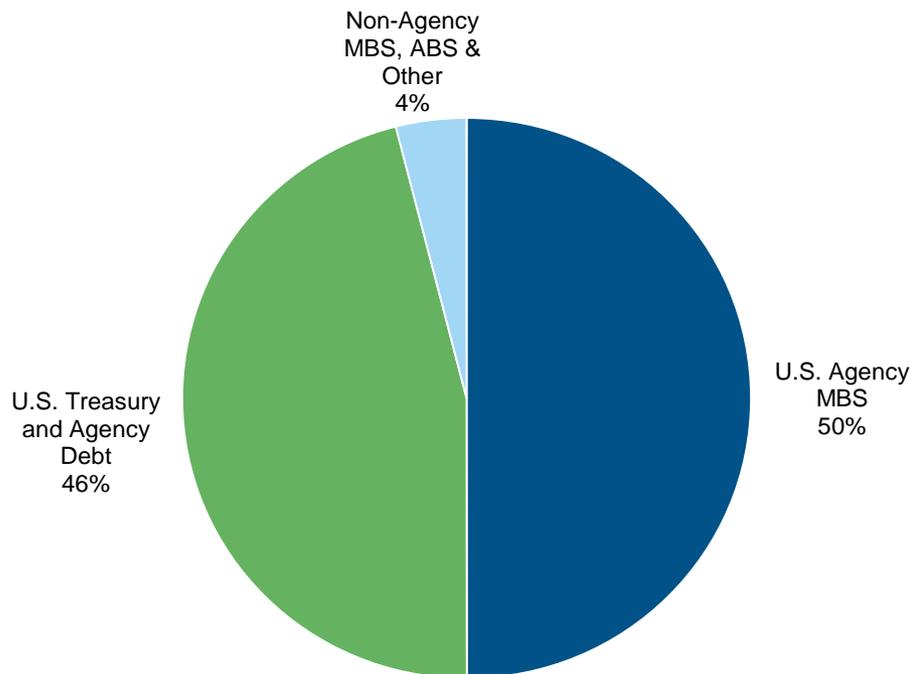


- Our primary source of funding is Farm Credit System debt securities
- Liquidity position was 181 days at year-end 2013

Investment Portfolio

Total \$21.7 billion at December 31, 2013

Investments by Type

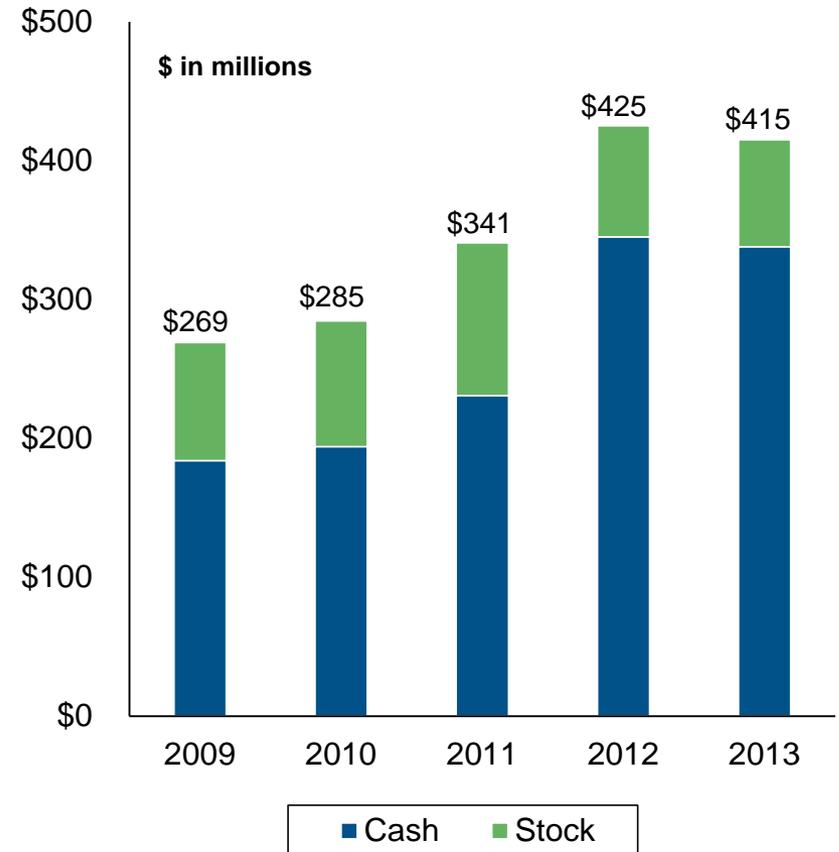


\$ in millions	Fair Value		
	2013	2012	2011
U.S. Agency MBS	\$10,797	\$10,568	\$9,061
U.S. Treasury and Agency Debt	9,963	6,491	3,638
Non-agency MBS, ABS and other	928	940	296
Total	\$21,688	\$17,999	\$12,995

Approximately 96 percent of our investment securities carry an explicit or implied government guarantee

Patronage Distributions

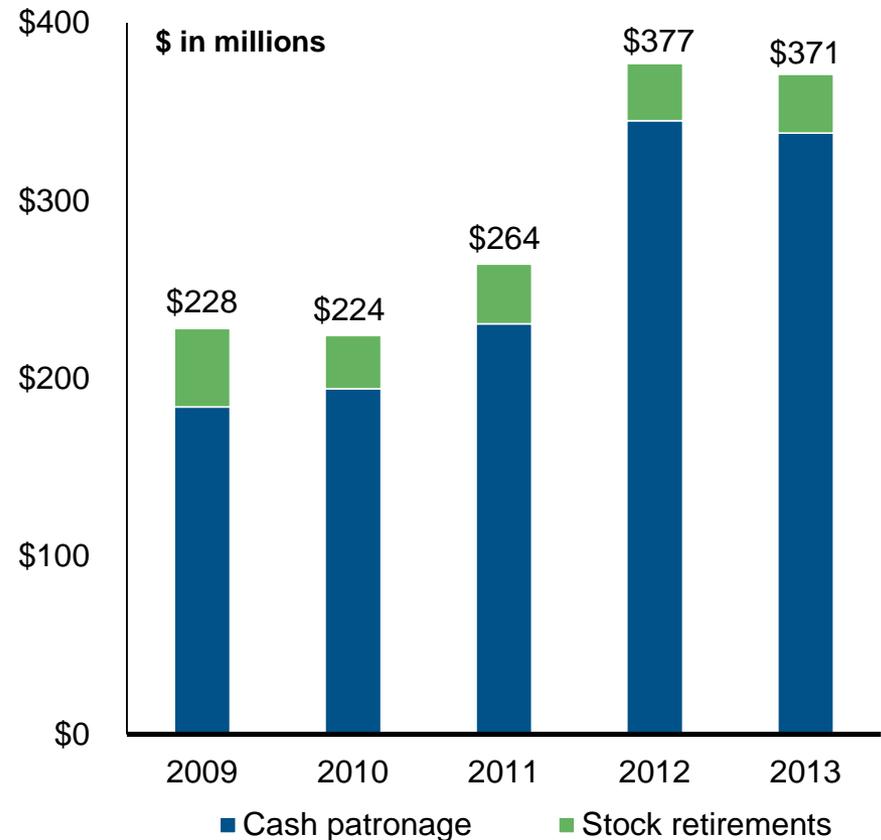
\$ in millions	Cash	Stock	Total
2009	\$184	\$85	\$269
2010	\$194	\$91	\$285
2011	\$231	\$110	\$341
2012	\$345	\$80	\$425
2013	\$338	\$77	\$415



Significant portion of earnings paid to customers as patronage

Total Cash Payouts

\$ in millions	Cash Patronage	Stock Retirements	Total
2009	\$184	\$44	\$228
2010	\$194	\$30	\$224
2011	\$231	\$33	\$264
2012	\$345	\$32	\$377
2013	\$338	\$33	\$371



- Cash payments for 2013 will total \$371 million, including \$33 million of stock retirements
- Customers have received an average of \$293 million per year in cash payments since 2009

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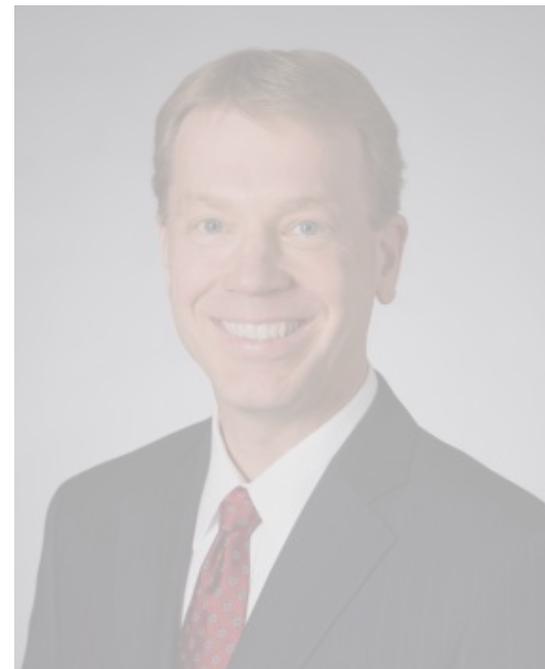
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New Board Members



Benjamin Freund
East Region
Modified equity seat



Kevin Riel
Northwest Region
Modified equity seat



Stephanie Herseth-Sandlin
Appointed director

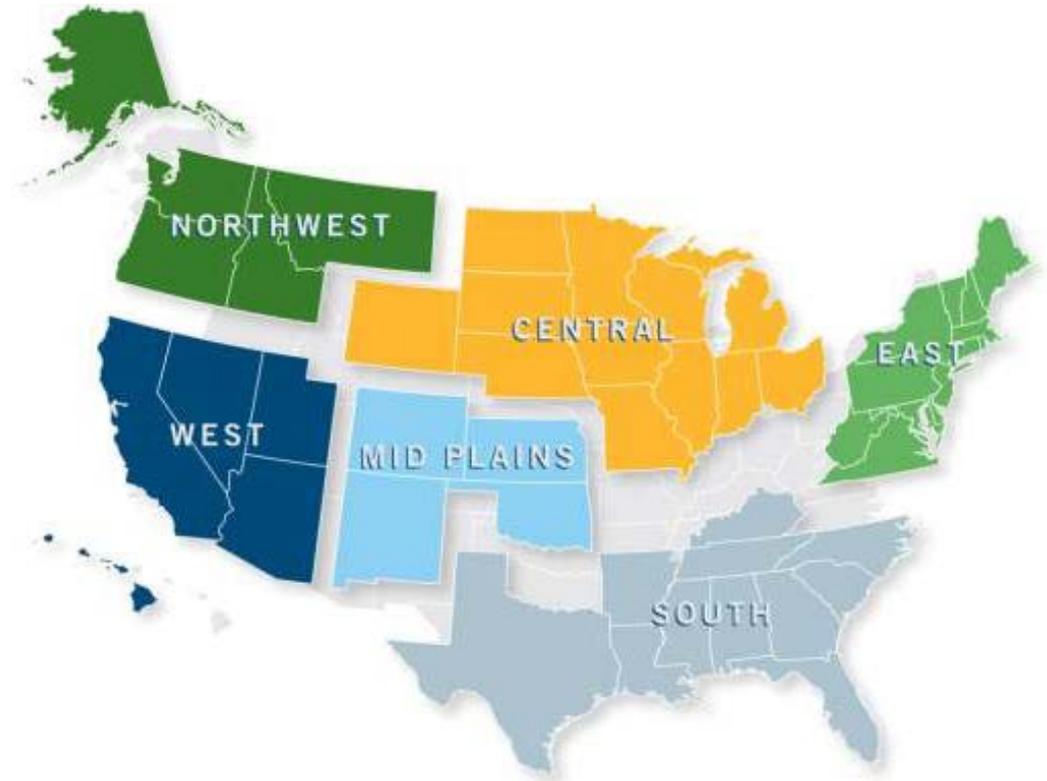
Governance

- 28 members total (same as 2013)
 - 24 elected
 - 4 appointed

- Six voting regions
 - East
 - Central
 - South
 - Mid Plains
 - West
 - Northwest

- Equal balance between OMOV and modified equity seats

- Five standing committees
 - Executive
 - Compensation
 - Governance
 - Audit
 - Risk



Board Restructuring Committee

- Board Restructuring Committee must be appointed every five years under bank bylaws
- Next study must be completed by December 31, 2015
- Typical items for review:
 - Board size
 - Regions (number and geography)
 - Voting methods
 - Director terms
 - Eligibility requirements
 - Number of appointed directors
- Committee will convene in 2014
 - Equal number of current directors and non-board customer representatives
- Review and approval by:
 - Governance Committee
 - Full board
 - Voting stockholders as required

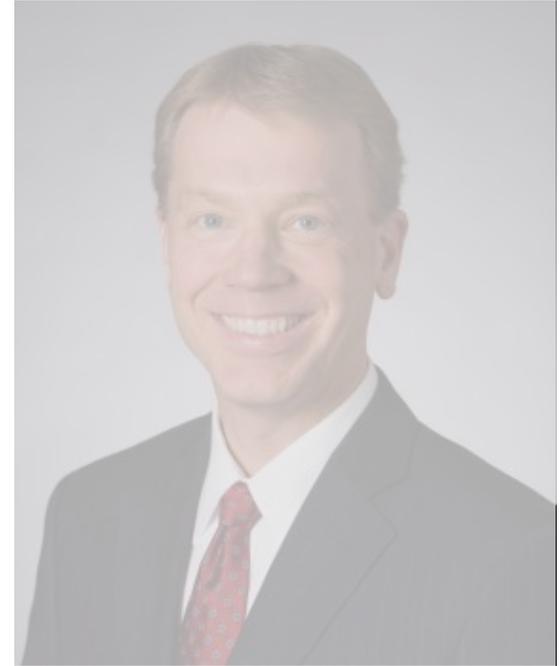
Business Outlook



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Regional Customer Meetings

Date	Location
February 26-27	Omaha, NE
March 3-4	Huntington Beach, CA
March 13-14	Bloomington, IL
March 19-20	Wichita, KS
March 26-27	Minneapolis, MN
March 27-28	Albany, NY
March 31-April 1	Fargo, ND
April 8-9	Austin, TX
May 15-16	Amelia Island, FL



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Chief Financial Officer

Thank You

David Burlage

Chief Financial Officer

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[2013 Annual Reports](#)