

CoBank 2014 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



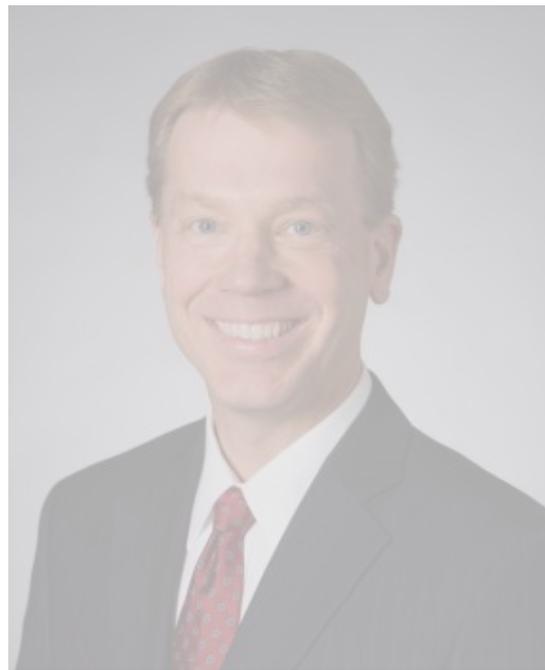
Everett Dobrinski

Chairman of the Board



Robert Engel

Chief Executive Officer



David Burlage

Chief Financial Officer

2014 Financial Results



Everett Dobrinski
Chairman of the Board

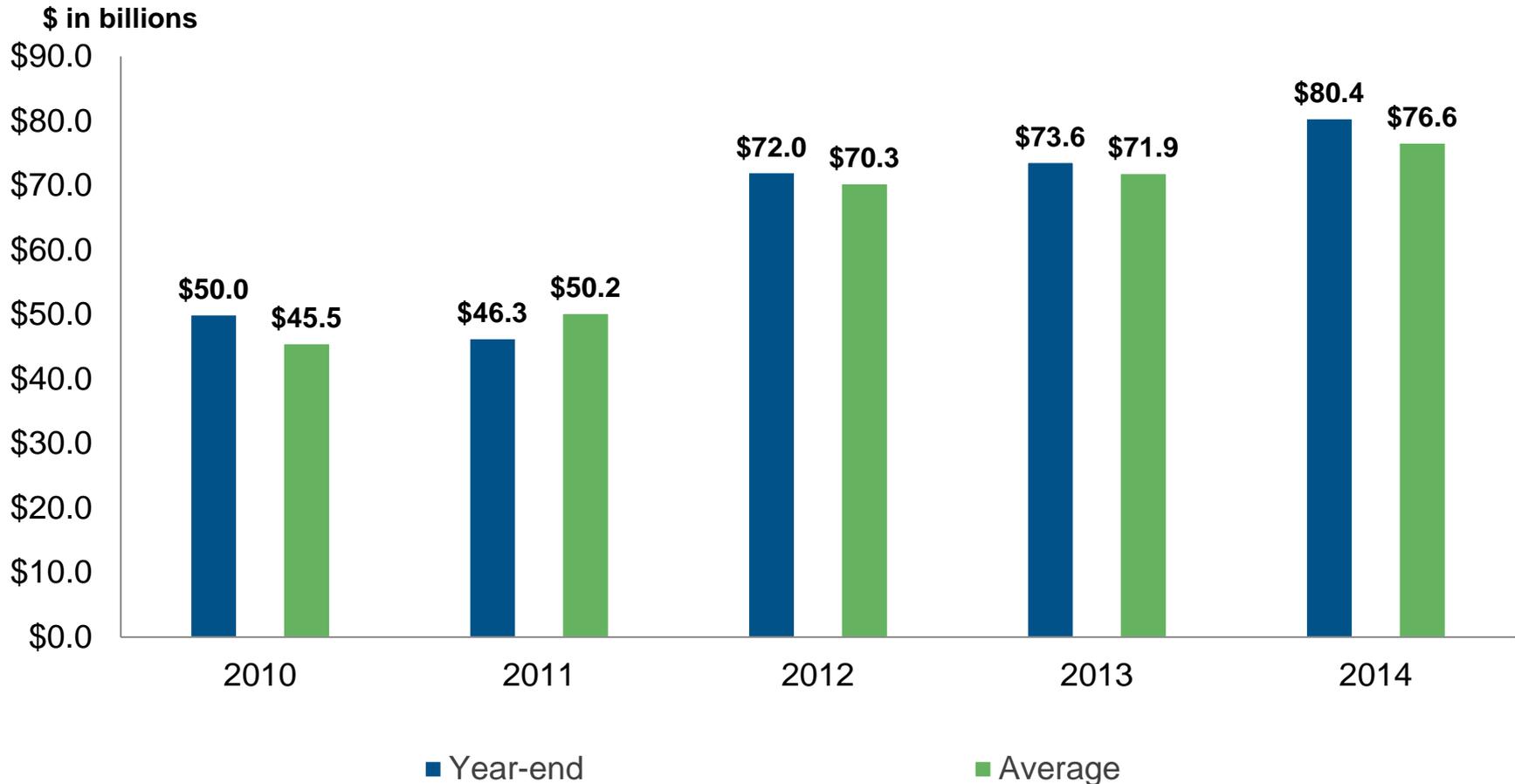


Robert Engel
Chief Executive Officer



David Burlage
Chief Financial Officer

Loan Volume



- 2014 reflects growth in loan volume across all of our operating segments
- 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



- 26 Affiliated Associations
- Nonaffiliated Associations
- Farm Credit Banks

Rural Infrastructure

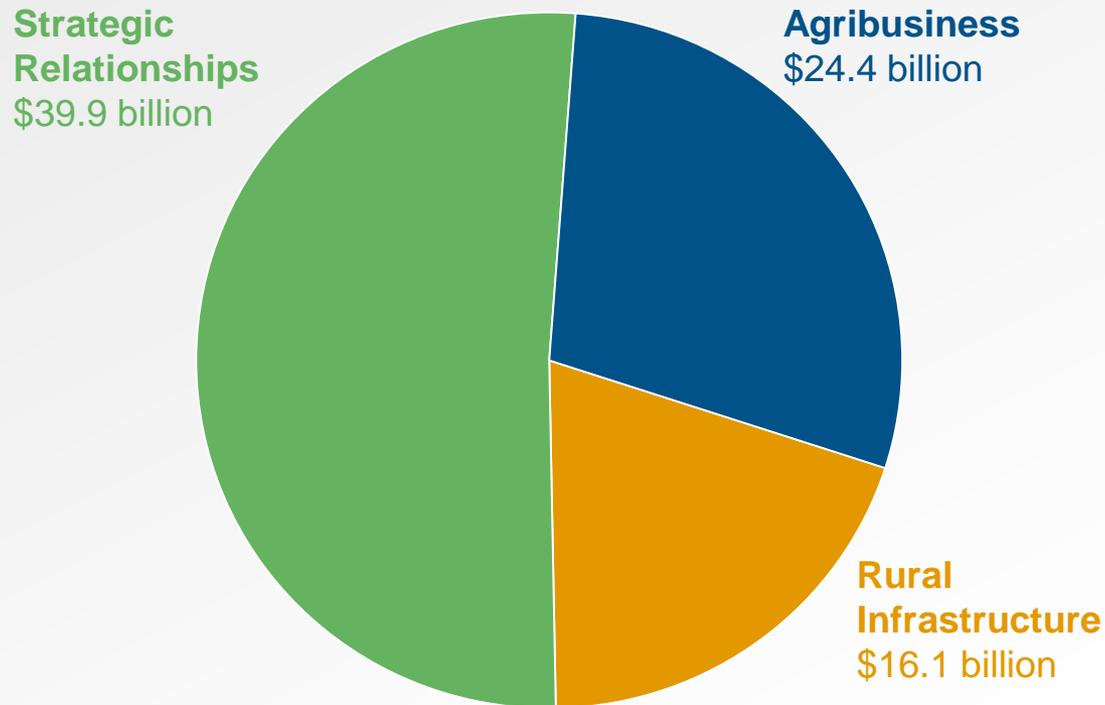


- Electric Distribution Cooperatives
- Generation & Transmission Cooperatives
- Power Supply Companies
- Energy Services Providers
- Communications Companies
- Water & Wastewater Companies
- Vital Community Facilities

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

Loan Portfolio

Total \$80.4 billion



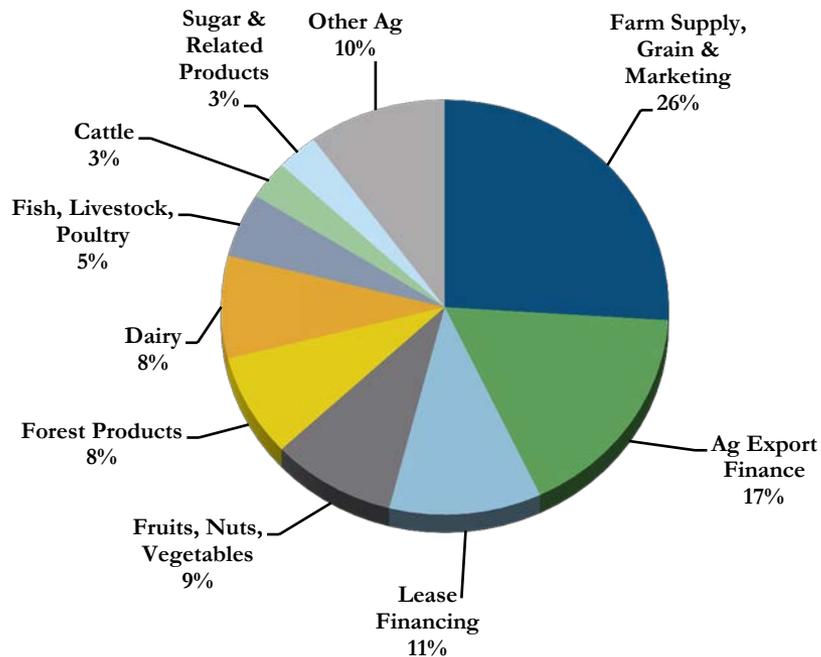
Loan diversification is a key component of overall financial strength

(as of December 31, 2014)

Agribusiness

\$24.4 billion at December 31, 2014

Financial Highlights

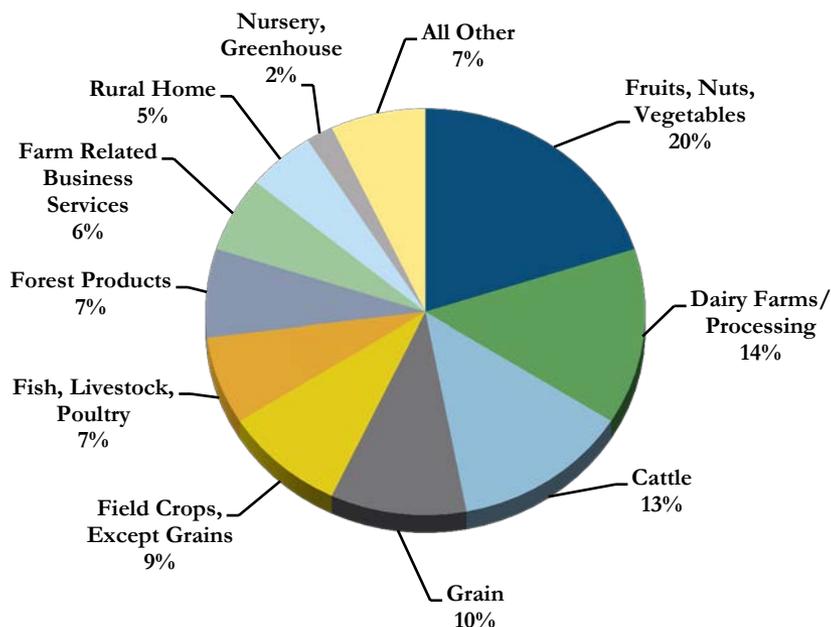


\$ in millions	As of and for the year ended December 31,		
	2014	2013	2012
Period-end Loans	\$24,359	\$21,182	\$21,394
Average Loans	\$23,598	\$21,077	\$22,209
Net Income	\$386	\$380	\$410
Nonaccrual Loans	\$49	\$53	\$70

- Higher 2014 loan volume was driven by increased lending to food and agribusiness companies
- Includes \$4.2 billion in export financing and \$2.7 billion in leases

Strategic Relationships

\$39.9 billion at December 31, 2014



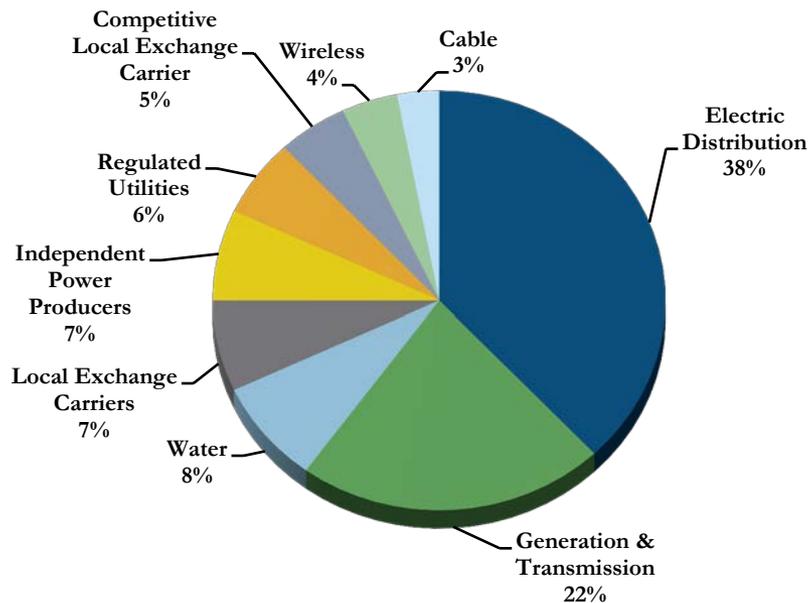
Financial Highlights

\$ in millions	As of and for the year ended December 31,		
	2014	2013	2012
Period-end Loans	\$39,919	\$37,897	\$36,707
Average Loans	\$37,804	\$36,565	\$34,976
Net Income	\$244	\$255	\$246
Nonaccrual Loans	\$---	\$---	\$---

- Includes \$36.0 billion of loans to affiliated Farm Credit associations and \$3.9 billion of loan participations in wholesale association loans of other Farm Credit banks
- Increased loan volume reflects growth in association lending to agricultural producers

Rural Infrastructure

\$16.1 billion at December 31, 2014



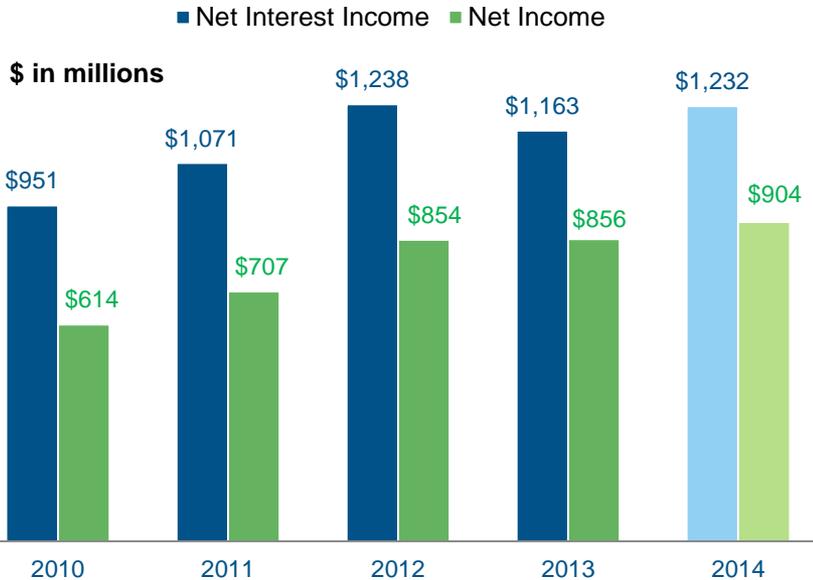
Financial Highlights

\$ in millions	As of and for the year ended December 31,		
	2014	2013	2012
Period-end Loans	\$16,104	\$14,524	\$13,879
Average Loans	\$15,192	\$14,215	\$13,086
Net Income	\$280	\$230	\$208
Nonaccrual Loans	\$81	\$95	\$100

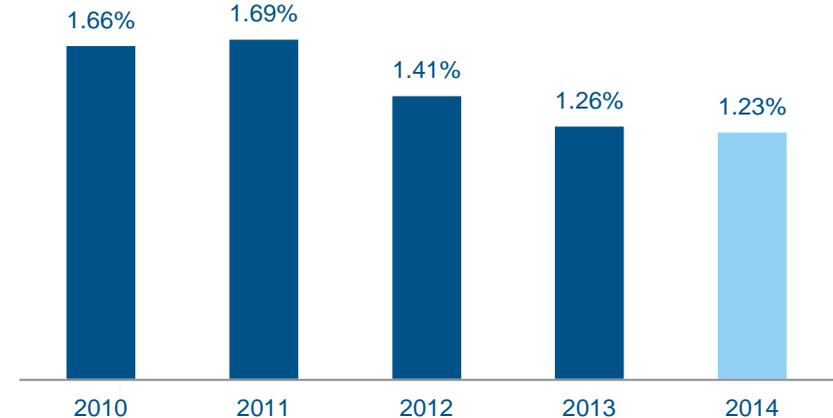
Loan growth driven by increased lending to electric distribution, power supply and communications customers

Profitability

Earnings and Net Interest Income



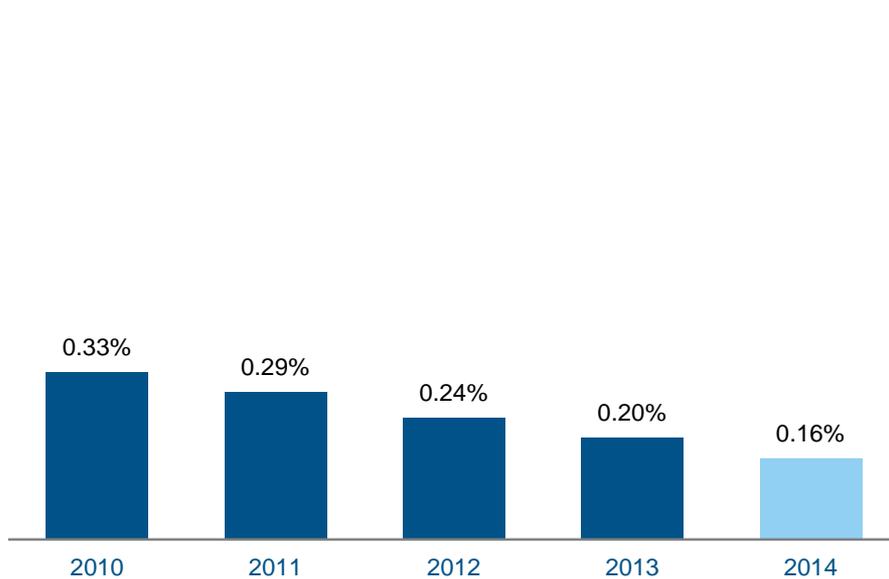
Net Interest Margin



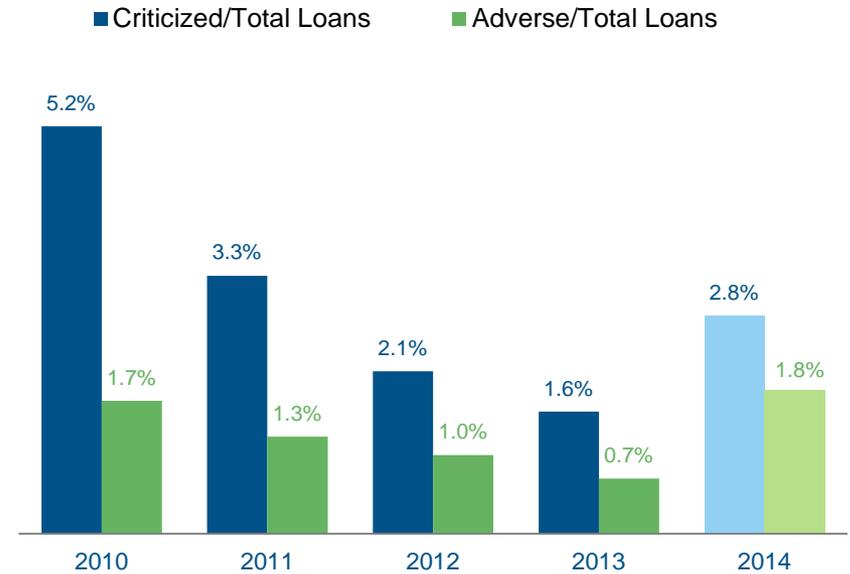
- Net interest income and net income grew 6 percent in 2014
- Net interest margin declined modestly in 2014 reflecting lower merger-related accretion, strong competition and continued low interest rates

Loan Quality

Nonaccrual Loans / Total Loans



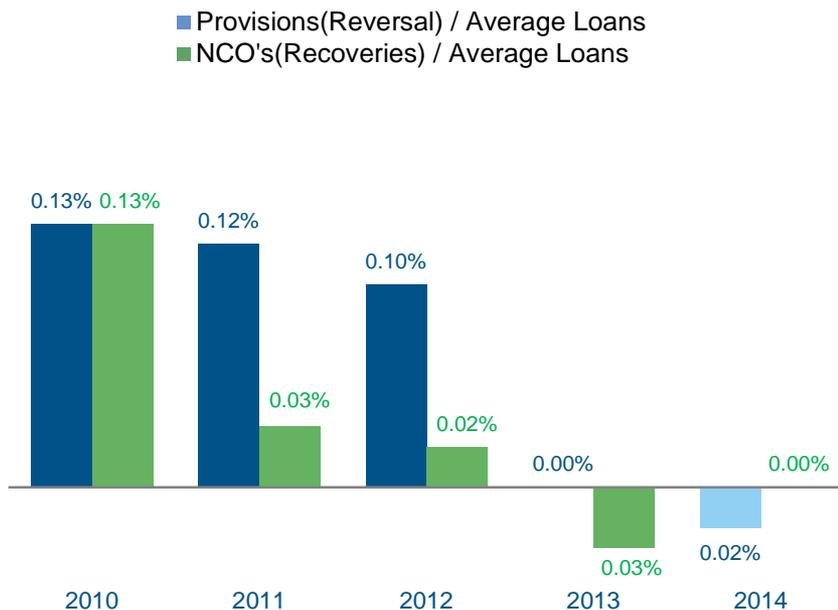
Criticized and Adverse Loans / Total Loans



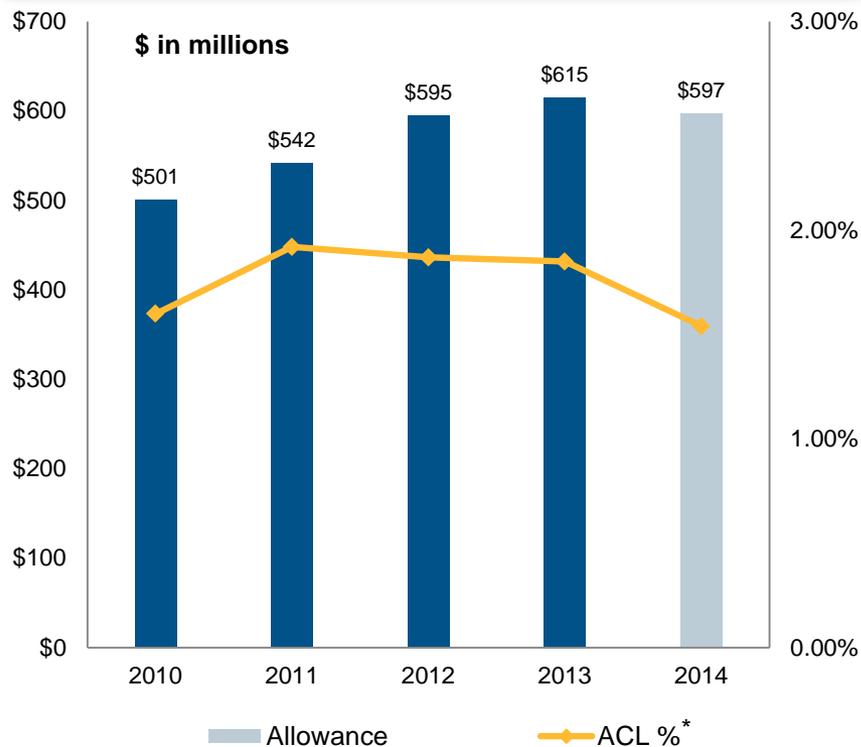
- Loan quality is very strong, with only 0.16 percent of loans in nonaccrual at year-end 2014
- Criticized and adverse loans increased in 2014 due to the downgrade of a wholesale loan to one of our affiliated associations

Provisions (Reversal) and Reserves

Provisions (Reversal) and Net Charge-Offs (Recoveries)



Allowance for Credit Losses

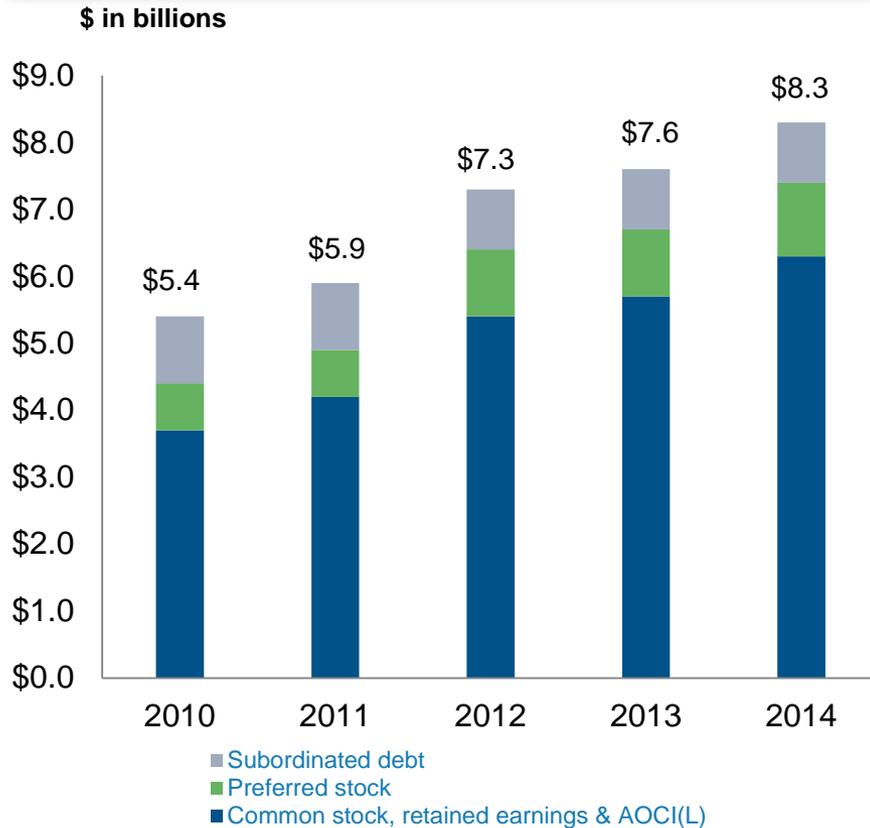


* ACL as a percentage of non-guaranteed loans (excluding loans to Associations)

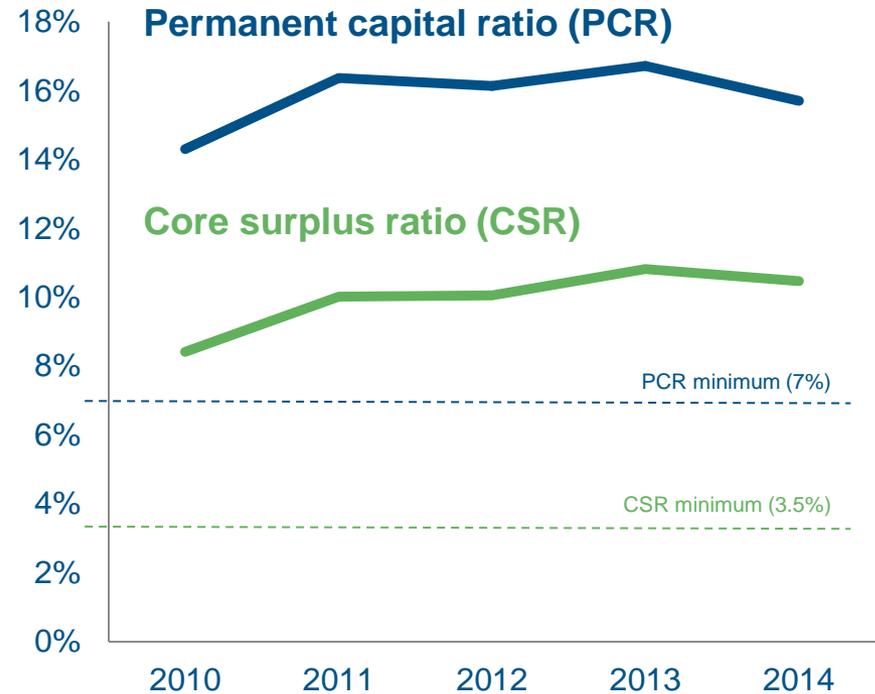
- We recorded a \$15 million loan loss reversal in 2014
- Our allowance for credit losses contributes to our overall financial strength and risk-bearing capacity

Capital

Capital By Type



Key Capital Ratios



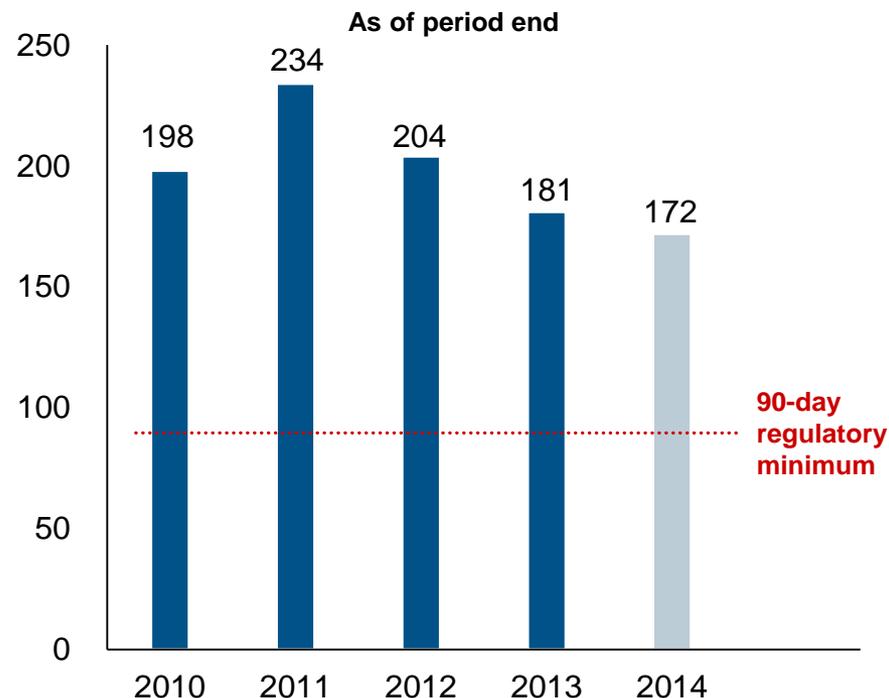
Capital increased by \$665 million in 2014

Funding and Liquidity

Debt By Type

\$ in millions	Amount	% of Debt
Bonds – Noncallable	\$66,731	67.8%
Designated Bonds – Noncallable	6,117	6.2%
Bonds – Callable, Other	6,880	7.0%
Discount Notes	15,077	15.3%
S/T Customer Investments and Other	2,774	2.8%
Subordinated Debt	905	0.9%
Total	\$98,484	100.0%

Total Days Liquidity

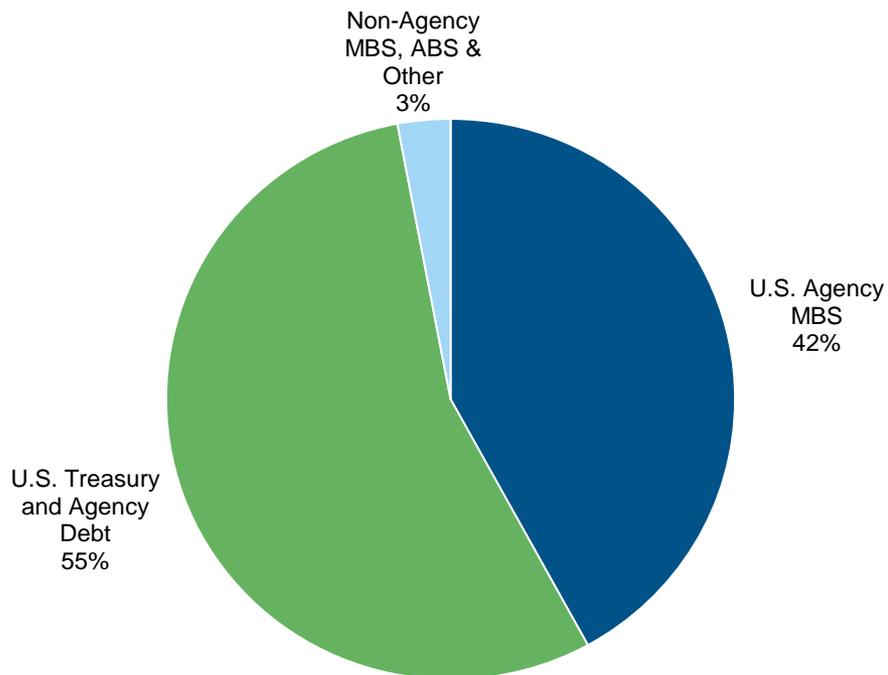


- Our primary source of funding is Farm Credit System debt securities
- Our liquidity position was 172 days at year-end 2014

Investment Portfolio

Total \$24.3 billion at December 31, 2014

Investments by Type

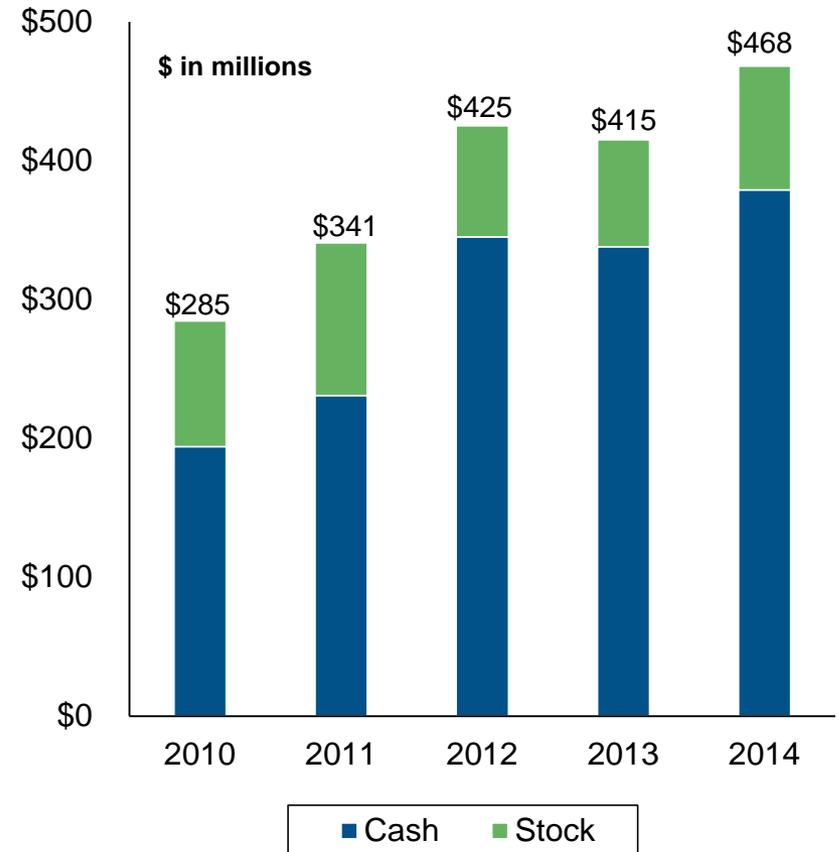


\$ in millions	Fair Value		
	2014	2013	2012
U.S. Agency MBS	\$10,216	\$10,797	\$10,568
U.S. Treasury and Agency Debt	13,305	9,963	6,491
Non-agency MBS, ABS and other	799	928	940
Total	\$24,320	\$21,688	\$17,999

Approximately 97 percent of our investment securities carry an explicit or implied government guarantee

Patronage Distributions

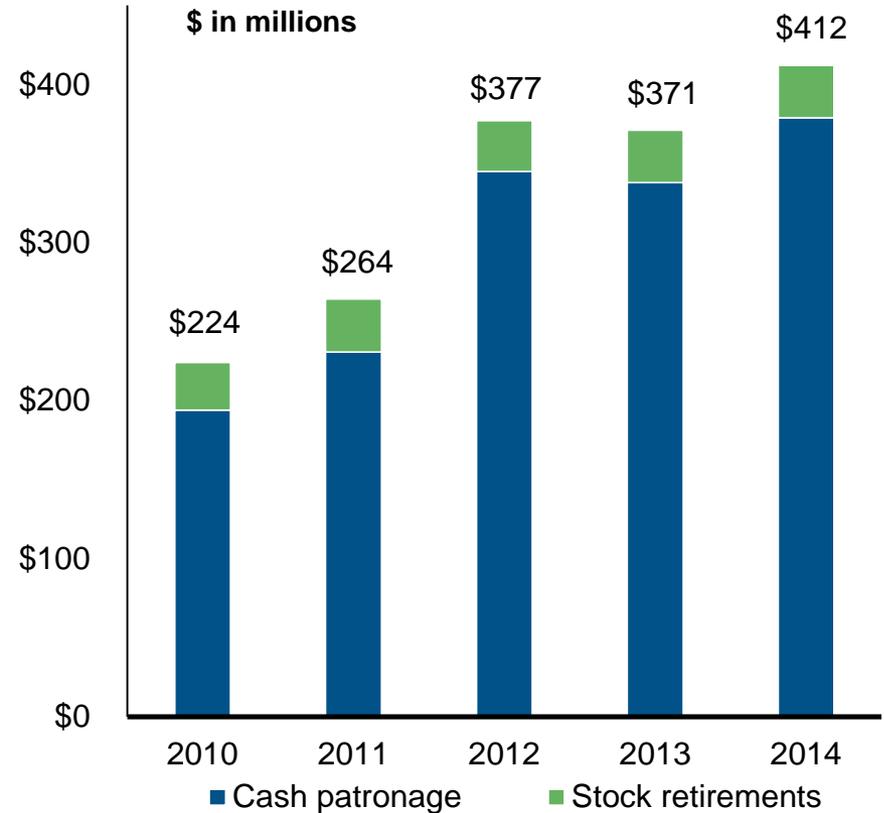
\$ in millions	Cash	Stock	Total
2010	\$194	\$91	\$285
2011	\$231	\$110	\$341
2012	\$345	\$80	\$425
2013	\$338	\$77	\$415
2014	\$379	\$89	\$468



A significant portion of our earnings is paid to customers as patronage

Total Cash Payouts

\$ in millions	Cash Patronage	Stock Retirements	Total
2010	\$194	\$30	\$224
2011	\$231	\$33	\$264
2012	\$345	\$32	\$377
2013	\$338	\$33	\$371
2014	\$379	\$33	\$412



- Cash payments for 2014 will total \$412 million, including \$33 million of stock retirements
- Customers have received an average of \$330 million per year in cash payments since 2010

2014 Financial Results



Everett Dobrinski
Chairman of the Board



Robert Engel
Chief Executive Officer



David Burlage
Chief Financial Officer



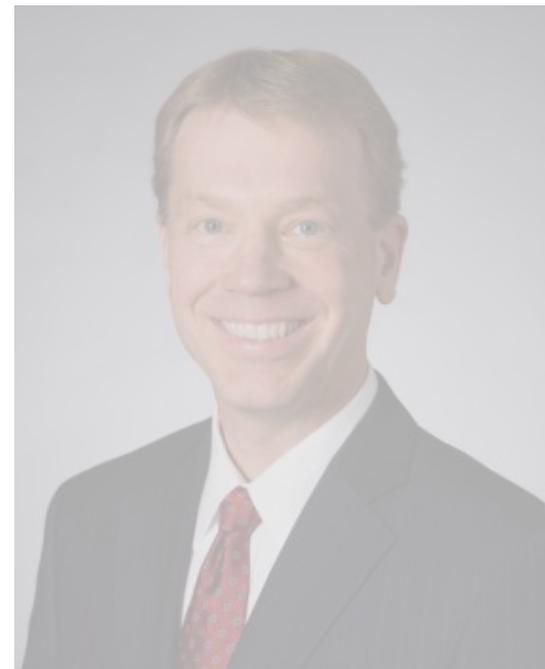
Everett Dobrinski

Chairman of the Board



Robert Engel

Chief Executive Officer



David Burlage

Chief Financial Officer

New Board Members



Dan Childs
Mid-Plains Region
Modified equity seat



Ken Shaw
Mid-Plains Region
Modified equity seat



Bill Squires
Northwest Region
One-member-one-vote seat

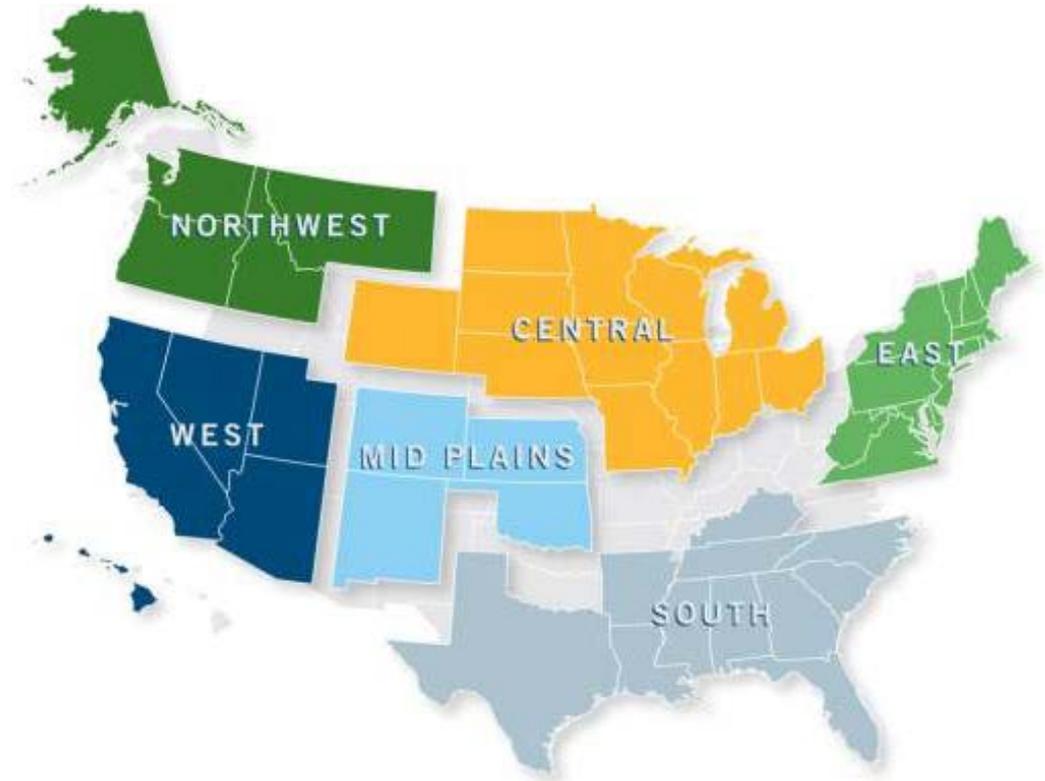
Current Governance Structure

- 28 members total (same as 2014)
 - 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 Recommendations

- Reduce the number of elected directors from 24 to 14
- Maintain the existing six board voting regions, as well as an even balance between modified equity and one-member-one-vote seats.
- Increase the maximum number of appointed board members from five to six in order to enhance the board's flexibility to fill in experience gaps and ensure a strong diversity of industry viewpoints.
- Modify board experience requirements to achieve more balanced industry representation.

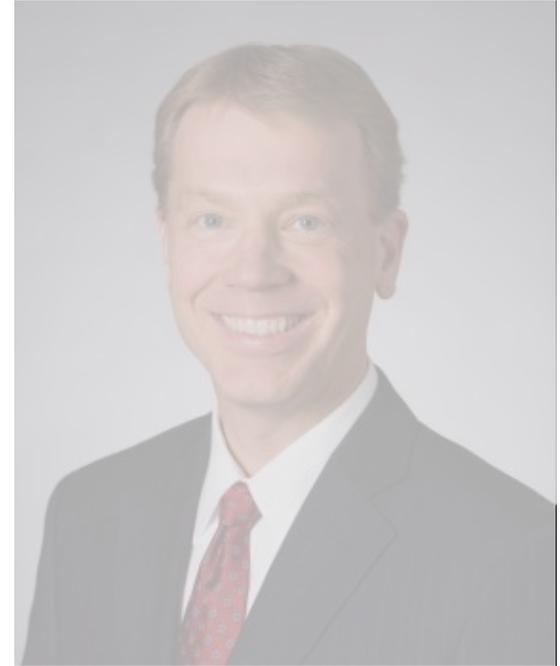
Business Outlook



Everett Dobrinski
Chairman of the Board



Robert Engel
Chief Executive Officer



David Burlage
Chief Financial Officer

Regional Customer Meetings

Date	Location
March 12-13	Wichita, KS
March 16-17	Syracuse, NY
March 19-20	Bloomington, IL
March 25-26	Minnesota, MN
March 31-April 1	Fargo, ND
April 7-8	Frisco, TX
April 16-17	Amelia Island, FL



Everett Dobrinski
Chairman of the Board



Robert Engel
Chief Executive Officer



David Burlage
Chief Financial Officer

Thank You

David Burlage

Chief Financial Officer

303-740-6464

dburlage@cobank.com

[Investor Contact](#)

Arthur Hodges

Senior Vice President,
Corporate Communications

303-740-4061

ahodges@cobank.com

[2014 Annual Reports](#)