



NEWS RELEASE

COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

DENVER (November 4, 2013) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the third quarter and first nine months of 2013.

Net income for the quarter decreased 4 percent to \$208.1 million, from \$217.7 million in the third quarter of 2012. For the first nine months of 2013, net income decreased 10 percent to \$628.9 million. Results for the first nine months of 2012 included significantly higher noninterest income due to \$44.6 million in refunds from the Farm Credit System Insurance Corporation; 2013 year-to-date net income declined 6 percent when the impact of the refunds is excluded. Earnings were also reduced by lower net interest income and higher insurance fund premium expenses for the quarter and nine-month period.

Net interest income declined in the third quarter by 9 percent to \$276.4 million, from \$305.1 million in the third quarter of 2012. For the first nine months of 2013, net interest income decreased 5 percent to \$875.5 million. The decreases were driven primarily by the continued low interest rate environment, which has impacted the bank's returns on invested capital, its balance sheet positioning and its portfolio of liquidity investments.

Average loan volume for the quarter was \$70.3 billion, essentially unchanged from the same period last year. For the first nine months of 2013, average loan volume increased 3 percent. The year-to-date increase was driven by higher levels of borrowing by affiliated Farm Credit associations and rural electric customers, which more than offset a decline in lending to agribusiness cooperatives. The decrease in agribusiness lending resulted primarily from lower grain inventories at many agribusiness cooperatives around the country, which reduced demand for seasonal financing. Total loan and lease volume at September 30, 2013 was \$70.4 billion.

"We're pleased with the continued strength of CoBank's business and financial performance," said Bob Engel, CoBank's chief executive officer. "In the broader financial services industry, market conditions remain challenging. Weak loan demand and increased competition have pressured earnings for many banks, as has the low interest rate environment engineered by the Federal Reserve. While our earnings and net interest income have declined moderately from last year's record levels, we remain well positioned to fulfill our mission and serve the borrowing needs of our customers across all the industries we serve."

Credit quality in the bank's loan portfolio remained favorable. At quarter end, 0.76 percent of the bank's loans were classified as adverse assets, compared to 1.01 percent at December 31, 2012. Nonaccrual loans were \$151.7 million at September 30, 2013, compared to \$170.2 million at December 31, 2012. The bank recorded no provision for loan losses during the quarter, compared to a \$10.0 million provision in the third quarter of last year. The bank's allowance for credit losses totaled \$625.0 million at quarter end, or 2.08 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

“CoBank’s credit quality continues to benefit from the general strength of the U.S. agricultural sector and the other rural industries we finance,” said David P. Burlage, CoBank’s chief financial officer.

Capital levels at the bank remain well in excess of regulatory minimums. As of September 30, 2013, shareholders’ equity totaled \$6.6 billion, and the bank’s permanent capital ratio was 17.3 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration, the bank’s independent regulator. At quarter end, the bank held approximately \$22.7 billion in cash and investments. The bank had 218 days of liquidity at September 30, 2013, compared with the 90-day regulatory minimum.

Engel noted that many now believe the Federal Reserve will not reduce its quantitative easing program until sometime in 2014. “The artificially low rate environment is likely to persist until the Fed signals its intention to taper asset purchases,” Engel said. “Though CoBank’s business results will generally benefit if rates increase, we continue to generate strong earnings despite the current monetary policy environment. We remain focused on serving our customers in rural America and on building our financial strength and flexibility for the long term.”

About CoBank

CoBank is a \$94 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

	September 30, 2013	December 31, 2012
	(Unaudited)	
Loans	\$ 70,378	\$ 71,980
Less: Allowance for loan losses	450	437
Net loans	69,928	71,543
Cash	308	1,254
Investment securities	22,419	17,999
Interest rate swaps and other financial instruments	725	1,005
Accrued interest receivable and other assets	747	677
Total assets	<u>\$ 94,127</u>	<u>\$ 92,478</u>
Bonds and notes	\$ 85,239	\$ 83,607
Subordinated debt	905	905
Interest rate swaps and other financial instruments	119	158
Reserve for unfunded commitments	175	158
Accrued interest payable and other liabilities	1,080	1,209
Total liabilities	<u>87,518</u>	<u>86,037</u>
Shareholders' equity	6,609	6,441
Total liabilities and shareholders' equity	<u>\$ 94,127</u>	<u>\$ 92,478</u>

STATEMENT OF INCOME INFORMATION

For the three months ended September 30,	2013	2012
	(Unaudited)	
Interest income	\$ 479	\$ 502
Interest expense	203	197
Net interest income	276	305
Provision for loan losses	-	10
Net interest income after provision for loan losses	276	295
Noninterest income	40	25
Operating expenses	69	66
Provision for income taxes	39	36
Net income	<u>\$ 208</u>	<u>\$ 218</u>

STATEMENT OF INCOME INFORMATION

For the nine months ended September 30,	2013	2012
	(Unaudited)	
Interest income	\$ 1,468	\$ 1,523
Interest expense	593	598
Net interest income	875	925
Provision for loan losses	20	20
Net interest income after provision for loan losses	855	905
Noninterest income	97	132
Operating expenses	205	190
Provision for income taxes	118	146
Net income	<u>\$ 629</u>	<u>\$ 701</u>