



NEWS RELEASE

COBANK REPORTS SECOND QUARTER FINANCIAL RESULTS

Net Income Increased 10 Percent To \$232.9 Million

DENVER (August 1, 2014) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the second quarter of 2014.

Net income for the quarter increased 10 percent to \$232.9 million, from \$212.0 million in the same period last year. For the first six months of 2014, net income also increased 10 percent to \$464.2 million. The improvement in profitability resulted primarily from increased net interest income as well as a \$25 million loan loss reversal, compared to a \$20 million provision for loan losses in the first six months of last year. The reversal resulted from a lower level of reserves needed for specific loans as well as general improvement in the credit quality of the bank's loan portfolio.

Net interest income for the quarter rose 5 percent to \$311.4 million, compared to \$296.7 million in the same period last year. For the first six months of 2014, net interest income increased 4 percent to \$620.3 million. The increases were driven primarily by higher loan volume as well as improved earnings from the bank's balance sheet positioning.

Average loan volume for the quarter rose 7 percent to \$76.9 billion, compared to \$71.6 billion in the same quarter last year. For the first six months of 2014 average loan volume rose 6 percent to \$76.7 billion. The increases resulted from higher levels of borrowing in a number of customer segments, including food and agribusiness companies, affiliated Farm Credit associations and rural power providers.

"We're very pleased with both the quarterly and year-to-date results of our business, including modest broad-based loan growth in many of the industries we serve," said Robert B. Engel, CoBank's chief executive officer. "While we continue to face a number of market challenges, CoBank remains well-positioned to meet the financial needs of its customers and fulfill its mission in rural America."

At quarter-end, 0.63 percent of the bank's loans were classified as adverse assets, compared to 0.71 percent at December 31, 2013. Nonaccrual loans improved to \$123.2 million, compared to \$147.8 million at December 31, 2013. The bank's allowance for credit losses totaled \$588.2 million at June 30, 2014, or 1.63 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

"We continue to benefit from the strong credit profile of our customer base," said David P. Burlage, CoBank's chief financial officer. "Overall credit quality measures have improved from what were already very solid levels at year-end, and that has made a meaningful contribution to the growth in profitability we've seen so far this year."

CoBank's capital levels remain well in excess of regulatory minimums. As of June 30, 2014, shareholders' equity totaled \$7.0 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 \$24.1 billion in cash and investments and had 164 days of liquidity, which is in excess of FCA liquidity requirements.

Engel noted that the bank continues to experience intense competition, compressed margins and low interest rates that impact returns on invested capital. "It is essential that we continue to deliver exceptional value to our customers, manage the bank efficiently and steadily build our financial strength for the long term," Engel said. "We're grateful for the trust our customers place in us and look forward to making continued progress toward our business goals."

About CoBank

CoBank is a \$101 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

	June 30, 2014	December 31, 2013
	(Unaudited)	
Loans	\$ 75,890	\$ 73,603
Less: Allowance for loan losses	447	447
Net loans	<u>75,443</u>	<u>73,156</u>
Cash	699	1,335
Investment securities	23,451	21,688
Interest rate swaps and other financial instruments	559	674
Accrued interest receivable and other assets	765	791
Total assets	<u><u>\$ 100,917</u></u>	<u><u>\$ 97,644</u></u>
Bonds and notes	\$ 91,523	\$ 88,458
Subordinated debt	905	905
Interest rate swaps and other financial instruments	102	121
Reserve for unfunded commitments	141	168
Accrued interest payable and other liabilities	1,252	1,287
Total liabilities	<u>93,923</u>	<u>90,939</u>
Shareholders' equity	6,994	6,705
Total liabilities and shareholders' equity	<u><u>\$ 100,917</u></u>	<u><u>\$ 97,644</u></u>

STATEMENT OF INCOME INFORMATION

For the three months ended June 30,	2014	2013
	(Unaudited)	
Interest income	\$ 522	\$ 492
Interest expense	211	195
Net interest income	<u>311</u>	<u>297</u>
(Loan loss reversal)/Provision for loan losses	(25)	5
Net interest income after loan loss reversal/provision for loan losses	<u>336</u>	<u>292</u>
Noninterest income	19	30
Operating expenses	75	70
Provision for income taxes	47	40
Net income	<u><u>\$ 233</u></u>	<u><u>\$ 212</u></u>

STATEMENT OF INCOME INFORMATION

For the six months ended June 30,	2014	2013
	(Unaudited)	
Interest income	\$ 1,042	\$ 988
Interest expense	422	389
Net interest income	<u>620</u>	<u>599</u>
(Loan loss reversal)/Provision for loan losses	(25)	20
Net interest income after loan loss reversal/provision for loan losses	<u>645</u>	<u>579</u>
Noninterest income	57	56
Operating expenses	144	136
Provision for income taxes	94	78
Net income	<u><u>\$ 464</u></u>	<u><u>\$ 421</u></u>