



NEWS RELEASE

COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

Net Income Increased 8 Percent To \$224.7 Million

DENVER (November 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 third quarter of 2014.

Net income for the quarter increased 8 percent to \$224.7 million, from \$208.1 million in the third quarter of 2013, largely due to stronger net interest income. For the first nine months of 2014, net income increased 10 percent to \$688.9 million, primarily as a result of increased net interest income and improvements in credit quality. The bank recorded a \$25.0 million loan loss reversal in the first nine months of 2014, compared to a \$20.0 million provision in the same period last year.

Net interest income for the quarter rose 8 percent to \$299.2 million, compared to \$276.4 million in the same period last year. For the first nine months of 2014, net interest income increased 5 percent to \$919.5 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 \$75.0 billion, compared to \$70.3 billion in the same quarter last year. For the first nine months of 2014, average loan volume rose 6 percent to \$76.1 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.

"CoBank continues to deliver very solid financial performance on behalf of customer-owners across rural America," said Robert B. Engel, CoBank's chief executive officer. "We are benefiting from the underlying strength of the industries we serve, with increased loan volume along with continuing good credit quality. We also continue to focus intently on gaining market share, delivering exceptional customer service and positioning our balance sheet appropriately in the current low interest rate environment."

At quarter-end, 0.61 percent of the bank's loans were classified as adverse assets, compared to 0.71 percent at December 31, 2013. Nonaccrual loans improved to \$111.7 million, compared to \$147.8 million at December 31, 2013. The bank's allowance for credit losses totaled \$588.2 million at September 30, 2014, or 1.66 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

CoBank's capital levels remain well in excess of regulatory minimums. As of September 30, 2014, shareholders' equity totaled \$7.1 billion, and the bank's permanent capital ratio was 16.36 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 \$25.0 billion in cash and investments and had 161 days of liquidity, which is in excess of FCA liquidity requirements.

During the quarter, the bank initiated a redemption of all \$136.8 million of its outstanding Series D non-cumulative perpetual preferred stock, which was issued in August 2009 and carried a dividend rate of 11 percent. The transaction closed on October 1, 2014.

“We’re pleased to have successfully redeemed this particular issuance of third-party capital, which was expensive relative to current rates in the market,” said David P. Burlage, CoBank’s chief financial officer. “We’re fortunate to have a strong capital position and ample capacity to serve the borrowing needs of our customers. We assess our capital structure on an ongoing basis and continue to look for opportunities to optimize the overall cost and quality of our capital.”

Engel noted that the market environment for financial service providers remains uncertain and volatile. “Competition within the banking industry is intense and continues to exert margin pressure on most institutions,” Engel said. “Meanwhile, the Federal Reserve’s exit from quantitative easing may cause unknown impacts in the months ahead. At CoBank, we will continue to concentrate on things we can control: serving our customers well, fulfilling our mission and positioning our business for success over the long term.”

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

	September 30, 2014	December 31, 2013
	(Unaudited)	
Loans	\$ 75,638	\$ 73,603
Less: Allowance for loan losses	407	447
Net loans	<u>75,231</u>	<u>73,156</u>
Cash	979	1,335
Investment securities	23,986	21,688
Interest rate swaps and other financial instruments	486	674
Accrued interest receivable and other assets	942	791
Total assets	<u><u>\$ 101,624</u></u>	<u><u>\$ 97,644</u></u>
Bonds and notes	\$ 92,070	\$ 88,458
Subordinated debt	905	905
Interest rate swaps and other financial instruments	100	121
Reserve for unfunded commitments	181	168
Accrued interest payable and other liabilities	1,307	1,287
Total liabilities	<u>94,563</u>	<u>90,939</u>
Shareholders' equity	7,061	6,705
Total liabilities and shareholders' equity	<u><u>\$ 101,624</u></u>	<u><u>\$ 97,644</u></u>

STATEMENT OF INCOME INFORMATION

For the three months ended September 30,	2014	2013
	(Unaudited)	
Interest income	\$ 508	\$ 479
Interest expense	209	203
Net interest income	<u>299</u>	<u>276</u>
(Loan loss reversal)/Provision for loan losses	-	-
Net interest income after loan loss reversal/provision for loan losses	<u>299</u>	<u>276</u>
Noninterest income	33	40
Operating expenses	71	69
Provision for income taxes	36	39
Net income	<u><u>\$ 225</u></u>	<u><u>\$ 208</u></u>

STATEMENT OF INCOME INFORMATION

For the nine months ended September 30,	2014	2013
	(Unaudited)	
Interest income	\$ 1,550	\$ 1,468
Interest expense	630	593
Net interest income	<u>920</u>	<u>875</u>
(Loan loss reversal)/Provision for loan losses	(25)	20
Net interest income after loan loss reversal/provision for loan losses	<u>945</u>	<u>855</u>
Noninterest income	90	97
Operating expenses	216	205
Provision for income taxes	130	118
Net income	<u><u>\$ 689</u></u>	<u><u>\$ 629</u></u>