



## NEWS RELEASE

### COBANK REPORTS FULL-YEAR FINANCIAL RESULTS FOR 2013

*Net Earnings Increased To \$856.5 Million; 14<sup>th</sup> Consecutive Year Of Growth In Profitability*

*2013 Patronage Distributions To Customers Will Total \$414.5 Million*

**DENVER (February 20, 2014)** — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced fourth-quarter and full-year financial results for 2013.

CoBank reported net income of \$856.5 million for the year, up slightly from \$853.9 million in 2012. The increase was driven primarily by improvements in credit quality and the fact that no provision for loan losses was recorded in 2013, compared to \$70.0 million in provisions in the prior year. Net interest income decreased 6 percent, to \$1.2 billion, primarily due to the impact lower interest rates had on the bank's returns on invested capital, its balance sheet positioning and its portfolio of investment securities. Average loan volume increased 2 percent to \$71.9 billion.

For the fourth quarter, net income increased to \$227.6 million, from \$153.4 million in the same period of the prior year. During the quarter, the bank reversed \$20.0 million in loan loss provisions recorded earlier in the year, compared to a \$50.0 million provision in the fourth quarter of 2012. Net interest income declined 8 percent during the quarter, to \$288.0 million. Average loan volume for the quarter was essentially unchanged from the fourth quarter of 2012, at \$72.2 billion.

"We're delighted with CoBank's business and financial performance in 2013," said Robert B. Engel, CoBank's chief executive officer. "The bank recorded its 14<sup>th</sup> consecutive year of growth in profitability on behalf of customer-owners, while thoughtfully growing our loan portfolio in a highly competitive environment. Credit quality is exceptionally strong, and our capital and liquidity levels remain solid. Most importantly, we continue to fulfill our mission in rural America by meeting the borrowing needs of our customers across all the industries we serve."

During the year, the bank saw increased loan demand from affiliated Farm Credit associations and rural electric cooperatives. Combined, that more than offset a significant decline in seasonal agribusiness lending, which was driven by lower inventories, lower commodity prices and strong cash positions at grain elevators around the country. "We're pleased that overall loan volume grew last year in the face of challenging market conditions," Engel said. "We continue to benefit enormously from the breadth, depth and longevity of our customer relationships, and the bank's reputation for delivering value and a high-quality customer experience."

In March, the bank will distribute \$414.5 million in total patronage, including \$338.0 million in cash and \$76.5 million in common stock. For most customers, that will represent 100 basis points of average qualifying loan volume during the past year, effectively lowering their overall net cost of debt capital from CoBank.

“As a cooperatively organized institution, CoBank prides itself on the fact that it returns substantial value to its customers through annual patronage distributions,” Engel said. “We’re delighted with the level of patronage our board has approved this year, and we trust that our customers also appreciate this important benefit of doing business with a bank that they own.”

At year-end, 0.71 percent of the bank’s loans were classified as adverse assets, compared to 1.01 percent at December 31, 2012. Nonaccrual loans totaled \$147.8 million at December 31, 2013, or 0.20 percent of total loans, compared to \$170.2 million and 0.24 percent of total loans at year-end 2012. The bank’s allowance for credit losses totaled \$614.7 million at year-end, or 1.85 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

“Generally, the financial health of the customers we finance remains very favorable, reflecting the continued strong performance of American agribusiness, rural infrastructure and other key sectors of the rural economy,” said David P. Burlage, CoBank’s chief financial officer.

Capital and liquidity levels at the bank remain well in excess of regulatory minimums. As of December 31, 2013, shareholders’ equity totaled \$6.7 billion, and the bank’s permanent capital ratio was 16.7 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank’s independent regulator. At year end, the bank held approximately \$23.0 billion in cash and investments. The bank had 181 days of liquidity at the end of 2013, compared with the 90-day FCA minimum.

Engel noted that despite recent improvement in general economic conditions in the U.S., the earnings environment is likely to remain challenging for CoBank in the year ahead, given tepid overall demand for credit, continued low interest rates, intense competition and other factors. “Our job at CoBank is to effectively manage risks in the market environment in order to maintain our financial strength and meet our customers’ financial needs,” Engel said. “We look forward to serving our customers in the year ahead and building the financial position of CoBank for the long term.”

### **Customer Meetings and 2013 Earnings Webcast and Conference Call**

CoBank will provide more information about its 2013 financial results at its upcoming series of regional customer meetings, which will take place in nine cities around the country between February and May of 2014. Managers and directors of any CoBank borrower are invited to attend these meetings, as are representatives of all Farm Credit institutions. For complete details about the meeting program, please visit the bank’s meetings page at [www.cobank.com/meetings](http://www.cobank.com/meetings).

In addition, the bank will hold its annual conference call and webcast at 2 p.m. Eastern time on Tuesday, February 25. The 60-minute call will feature a presentation of 2013 financial highlights and Q&A with CoBank executives.

To join via phone, call 866-543-6403 and use passcode 37269232. To join via the Internet, click [here](#) or visit the “Newsroom & Financials” section of the CoBank web site.

### **About CoBank**

CoBank is a \$98 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](http://www.cobank.com).

### **Additional information**

The results discussed herein are preliminary and unaudited. CoBank's financial statements for the year ended December 31, 2013 are expected to be available on or about March 1, 2014. Copies of this press release, as well as other information regarding CoBank, including its annual and quarterly financial statements, are available at the bank's web site at [www.cobank.com](http://www.cobank.com).

### **Contact**

Arthur Hodges  
Senior Vice President, Corporate Communications  
303-740-4061  
[ahodges@cobank.com](mailto:ahodges@cobank.com)

Dan Haley  
Director of Corporate Communications  
303-793-2239  
[dhaley@cobank.com](mailto:dhaley@cobank.com)

**COBANK, ACB**  
**CONSOLIDATED FINANCIAL STATEMENT INFORMATION**  
(\$ in millions)  
Unaudited

**BALANCE SHEET INFORMATION**

	December 31, 2013	December 31, 2012
Loans	\$ 73,603	\$ 71,980
Less: Allowance for loan losses	447	437
Net loans	<u>73,156</u>	<u>71,543</u>
Cash	1,335	1,254
Investment securities	21,688	17,999
Interest rate swaps and other financial instruments	674	1,005
Accrued interest receivable and other assets	791	677
Total assets	<u><u>\$ 97,644</u></u>	<u><u>\$ 92,478</u></u>
Bonds and notes	\$ 88,458	\$ 83,607
Subordinated debt	905	905
Interest rate swaps and other financial instruments	121	158
Reserve for unfunded commitments	168	158
Accrued interest payable and other liabilities	1,287	1,209
Total liabilities	<u>90,939</u>	<u>86,037</u>
Shareholders' equity	6,705	6,441
Total liabilities and shareholders' equity	<u><u>\$ 97,644</u></u>	<u><u>\$ 92,478</u></u>

**STATEMENT OF INCOME INFORMATION**

For the year ended December 31,	2013	2012
Interest income	\$ 1,963	\$ 2,025
Interest expense	800	787
Net interest income	<u>1,163</u>	<u>1,238</u>
Provision for loan losses	-	70
Net interest income after provision for loan losses	<u>1,163</u>	<u>1,168</u>
Noninterest income	132	113
Operating expenses	280	263
Provision for income taxes	159	164
Net income	<u><u>\$ 856</u></u>	<u><u>\$ 854</u></u>