



NEWS RELEASE

COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

Bank Records Average Loan Volume Growth Of 5 Percent; Net Income Of \$232.2 Million

DENVER (May 5, 2015) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the first quarter of 2015.

Net income for the quarter was \$232.2 million, compared to \$231.3 million in the first quarter of 2014. A \$10.0 million provision for loan losses recorded in the first quarter of 2015 largely offset the positive impacts of higher net interest income as well as increased prepayment income. The provision primarily reflected an increase in average loan volume. No provision was taken during the first quarter of 2014.

Net interest income for the quarter increased 2 percent to \$315.3 million, from \$309.0 million in the same period last year. Higher average loan volume was a key driver of the increase.

Average loan volume rose 5 percent in the first quarter to \$80.6 billion, from \$76.4 billion in the same period last year. The increase resulted from higher levels of borrowing from customers in a number of industries, including rural electric cooperatives, rural communications service providers, affiliated Farm Credit associations and food and agribusiness companies.

“We’re pleased with CoBank’s results for the quarter, which reflect solid growth in our portfolio across all of our operating segments,” said Robert B. Engel, CoBank’s chief executive officer. “Though market dynamics vary widely across the rural industries we serve, the strength of the CoBank value proposition is helping to drive broad-based growth throughout the business. We remain focused first and foremost on delivering value to our borrowers and providing them with an outstanding customer experience.”

At quarter-end, 1.76 percent of CoBank’s loans were classified as adverse assets compared to 1.84 percent at December 31, 2014. Nonaccrual loans decreased to \$126.1 million at March 31, 2015 from \$130.3 million at December 31, 2014. The bank’s allowance for credit losses totaled \$607.1 million at quarter-end, or 1.51 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

“We continue to benefit from strong credit quality,” said David P. Burlage, chief financial officer. “The provision for loan losses taken during the quarter was driven primarily by growth in loan volume. In addition, our allowance for credit losses provides protection for the bank and its shareholders against losses embedded in our loan portfolio.”

Capital levels for CoBank remain well in excess of regulatory minimums. As of March 31, 2015, shareholders’ equity totaled \$7.5 billion, and the bank’s permanent capital ratio was 15.6 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 168 days of liquidity, which was in excess of FCA liquidity requirements.

Engel noted that, despite a strong first quarter, the bank is dealing with a number of market dynamics that have impacted and could continue to impact earnings and overall financial performance this year. “A strengthened dollar, continuing low interest rates and intense competition in the banking industry create a challenging earnings environment for CoBank,” Engel said. “In addition, the bank continues to make investments in people, technologies, public-private partnerships and other strategic initiatives that will position CoBank to generate returns over the long term. That said, the bank remains strong and well-positioned to continue serving as a dependable financial partner for its customers and fulfilling its mission in rural America.”

About CoBank

CoBank is a \$106 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

	March 31, 2015	December 31, 2014
	(Unaudited)	
Loans	\$ 80,669	\$ 80,382
Less: Allowance for loan losses	490	481
Net loans	<u>80,179</u>	<u>79,901</u>
Cash	733	1,856
Investment securities	23,345	24,320
Interest rate swaps and other financial instruments	468	456
Accrued interest receivable and other assets	809	895
Total assets	<u><u>\$ 105,534</u></u>	<u><u>\$ 107,428</u></u>
Bonds and notes	\$ 95,834	\$ 97,580
Subordinated debt	905	905
Interest rate swaps and other financial instruments	137	112
Reserve for unfunded commitments	117	116
Accrued interest payable and other liabilities	993	1,345
Total liabilities	<u>97,986</u>	<u>100,058</u>
Shareholders' equity	7,548	7,370
Total liabilities and shareholders' equity	<u><u>\$ 105,534</u></u>	<u><u>\$ 107,428</u></u>

STATEMENT OF INCOME INFORMATION

For the three months ended March 31,	2015	2014
	(Unaudited)	
Interest income	\$ 535	\$ 520
Interest expense	220	211
Net interest income	<u>315</u>	<u>309</u>
Provision for loan losses	10	-
Net interest income after provision for loan losses	<u>305</u>	<u>309</u>
Noninterest income	47	38
Operating expenses	75	70
Provision for income taxes	45	46
Net income	<u><u>\$ 232</u></u>	<u><u>\$ 231</u></u>