



## NEWS RELEASE

### COBANK REPORTS 2014 FINANCIAL RESULTS AND ANNOUNCES YEAR-END EARNINGS WEBCAST

*Net Earnings Increased To \$904.3 Million; 15<sup>th</sup> Consecutive Year Of Growth In Profitability*

*2014 Patronage Distributions To Customers Will Total A Record \$467.5 Million*

**DENVER (March 3, 2015)** — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the full year and fourth quarter of 2014.

CoBank reported net income of \$904.3 million for the year, up 6 percent from \$856.5 million in 2013. The increase was driven primarily by higher net interest income. Net interest income increased 6 percent to \$1.2 billion, driven by higher average loan volume as well as increased earnings from the bank's balance sheet positioning. Average loan volume rose 7 percent to \$76.6 billion.

"We're delighted with CoBank's business and financial performance in 2014," said Robert B. Engel, CoBank's chief executive officer. "The bank recorded its 15th consecutive year of growth in profitability on behalf of our customer-owners, an accomplishment matched by few if any other financial institutions in the world. Our credit quality remains strong, and our capital and liquidity levels remain solid. Most importantly, we continue to fulfill our mission of service to rural America."

During the year, the bank saw higher loan volume from a range of rural industries, including agricultural cooperatives, food and agribusiness companies, electric distribution cooperatives, power supply customers, and communications service providers. The bank's wholesale loans to its affiliated Farm Credit associations also increased due to heavier borrowing from their agricultural producer customers. "We are pleased that loan volume grew last year in the face of uncertain market conditions," Engel said. "We continue to benefit from the diversification of our customer base, and the bank's reputation for providing value and an exceptional customer experience."

This month, the bank is distributing a record \$467.5 million in total patronage, including \$378.8 million in cash and \$88.7 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. "Strong, dependable patronage is an essential part of the value proposition we offer to our customers," Engel said. "We're delighted with the level of patronage our board has approved this year, and we trust that our customers also value this important benefit of doing business with a bank that they own."

Strong credit quality led to a \$15 million net reversal of a portion of the bank's allowance for loan losses during the year, compared to no provision or reversal in 2013, which contributed to CoBank's earnings performance. The bank's allowance for credit losses totaled \$596.8 million at year-end, or 1.54 percent of non-guaranteed loans when loans to Farm Credit associations are excluded. As of December 31, 2014,

nonaccrual loans were \$130.3 million, or 0.16 percent of total loans, compared to \$147.8 million and 0.20 percent of total loans at year-end 2013. Adverse assets were 1.84 percent of total loans at year-end, compared to 0.71 percent at December 31, 2013. The increase in adverse assets was due to the downgrade of a wholesale loan to one of the bank's affiliated associations, which resulted from a sudden significant increase in delinquencies in a discrete portion of that association's retail loan portfolio. Nonetheless, CoBank does not currently anticipate any losses related to that association's loans and has not made any provision for loan loss or recorded any allowance for credit loss related to any of its wholesale loans as a result of strong collateralization and other mitigating factors.

For the fourth quarter of 2014, average loan volume increased 8 percent, to \$78.1 billion as compared to the fourth quarter of 2013. Net interest income also increased 8 percent, to \$312.2 million. Net income for the quarter was \$215.4 million, a decline of 5 percent from \$227.6 million in the same period of 2013. CoBank recorded a \$10.0 million provision for loan losses during the fourth quarter of 2014, compared to a \$20.0 million reversal in the prior-year period. "Although profitability was impacted by loan loss estimates, the bank's performance was solid during the quarter and reflected strong growth in loan demand from our customers," 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, 2014, shareholders' equity totaled \$7.4 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 year end, the bank held approximately \$26.2 billion in cash and investments. The bank had 172 days of liquidity at the end of 2014, compared with the 90-day FCA minimum.

Engel noted that despite CoBank's strong performance in 2014, the bank continues to face a number of challenges, including intense competition from other banks and lenders for the business of its customers, the need for significant investment in people, processes and technologies to serve the needs of customers, and continued low interest rates that negatively impact returns on invested capital.

"Our board and executive management team believe strongly that the best strategy for CoBank is to remain focused on providing value to our customers – as both customers and owners – and on building the bank's financial strength and stability for the long term," Engel said. "We remain mindful of the enormous trust our customers place in CoBank and are deeply grateful that they choose us to serve as their financial partner."

### **Customer Meetings and 2014 Earnings Webcast and Conference Call**

CoBank will provide more information about its 2014 financial results at its ongoing series of regional customer meetings, which will take place in multiple cities around the country through April of 2015. 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 1 p.m. Eastern Time on Wednesday, March 11. The 60-minute call will feature a presentation of 2014 financial highlights and Q&A with CoBank executives.

To join via phone, call 866-515-2911 and use passcode 86121995. To join via the Internet, click [here](#) or visit the "Newsroom & Financials" section of the CoBank web site.

### **About CoBank**

CoBank is a \$107 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, 2014 are expected to be available on or about March 11, 2015. 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).

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

**BALANCE SHEET INFORMATION**

	December 31, 2014	December 31, 2013
Loans	\$ 80,382	\$ 73,603
Less: Allowance for loan losses	481	447
Net loans	<u>79,901</u>	<u>73,156</u>
Cash	1,856	1,335
Investment securities	24,320	21,688
Interest rate swaps and other financial instruments	456	674
Accrued interest receivable and other assets	<u>895</u>	<u>791</u>
Total assets	<u><u>\$ 107,428</u></u>	<u><u>\$ 97,644</u></u>
Bonds and notes	\$ 97,580	\$ 88,458
Subordinated debt	905	905
Interest rate swaps and other financial instruments	112	121
Reserve for unfunded commitments	116	168
Accrued interest payable and other liabilities	<u>1,345</u>	<u>1,287</u>
Total liabilities	100,058	90,939
Shareholders' equity	<u>7,370</u>	<u>6,705</u>
Total liabilities and shareholders' equity	<u><u>\$ 107,428</u></u>	<u><u>\$ 97,644</u></u>

**STATEMENT OF INCOME INFORMATION**

For the year ended December 31,	2014	2013
Interest income	\$ 2,075	\$ 1,963
Interest expense	843	800
Net interest income	<u>1,232</u>	<u>1,163</u>
(Loan loss reversal)/Provision for loan losses	<u>(15)</u>	<u>-</u>
Net interest income after loan loss reversal/provision for loan losses	1,247	1,163
Noninterest income	124	132
Operating expenses	304	280
Provision for income taxes	<u>163</u>	<u>159</u>
Net income	<u><u>\$ 904</u></u>	<u><u>\$ 856</u></u>