

# CoBank 2012 Financial Results

## Webcast Presentation

### February 26, 2013

# Participants



**Everett Dobrinski**  
Chairman of the Board



**Robert Engel**  
President &  
Chief Executive Officer



**David Burlage**  
Chief Financial Officer

# Loan Volume



*Loan volume growth in 2012 primarily reflects the merger with U.S. AgBank*

## Merger with U.S. AgBank

- Closed January 1, 2012
- Increased number of affiliated Associations by 25
- Enhances geographic, industry and earnings diversification
- Increases scale, scope and risk-bearing capacity
- Better positions the bank for market volatility

*The merger created a stronger, more durable financial services institution better positioned to fulfill its mission*

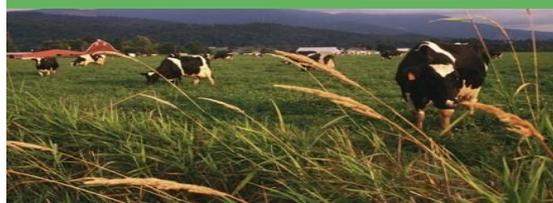
# CoBank Business Profile – Three Business Segments

## Agribusiness



- Regional Cooperatives & Agribusinesses
- Large and Diversified Ag Cooperatives & Agribusinesses
- Food Companies and Other Eligible Borrowers
- Ag Export Financing
- Farm Credit Leasing
- Farm Credit System Purchased Participations

## Strategic Relationships



- 29 Affiliated Associations
- Nonaffiliated Associations
- Farm Credit Banks

## Rural Infrastructure



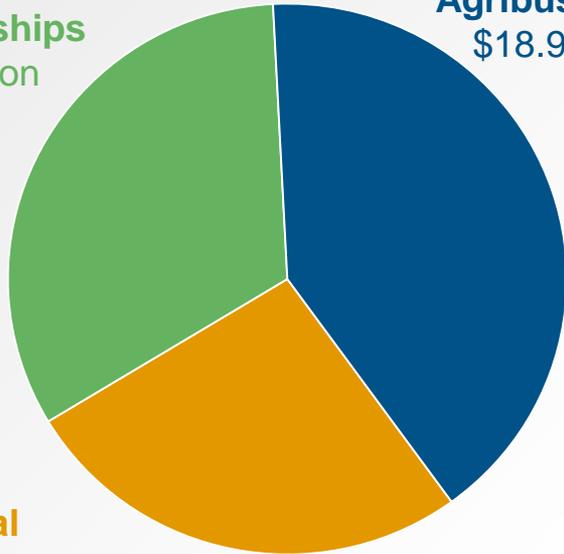
- Electric Distribution Cooperatives
- Power Supply Companies
- Energy Services Providers
- Communications Companies
- Water & Wastewater Companies

*We focus on the customer through three business segments – Agribusiness, Strategic Relationships and Rural Infrastructure*

# Loan Portfolio

2011 - Total \$46.3 billion

**Strategic Relationships**  
\$15.2 billion

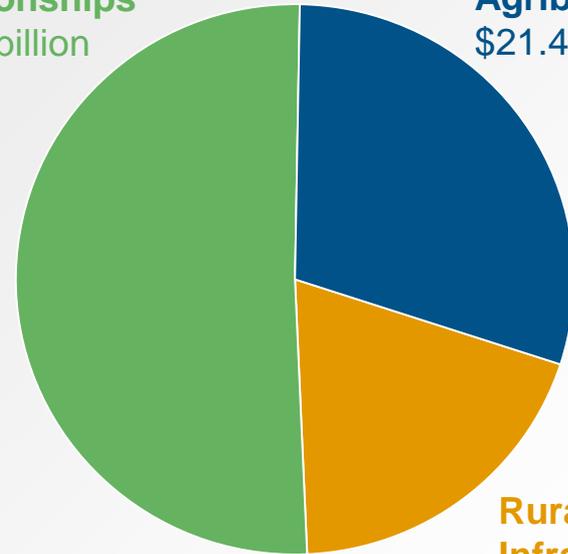


**Agribusiness**  
\$18.9 billion

**Rural Infrastructure**  
\$12.2 billion

2012 - Total \$72.0 billion

**Strategic Relationships**  
\$36.7 billion



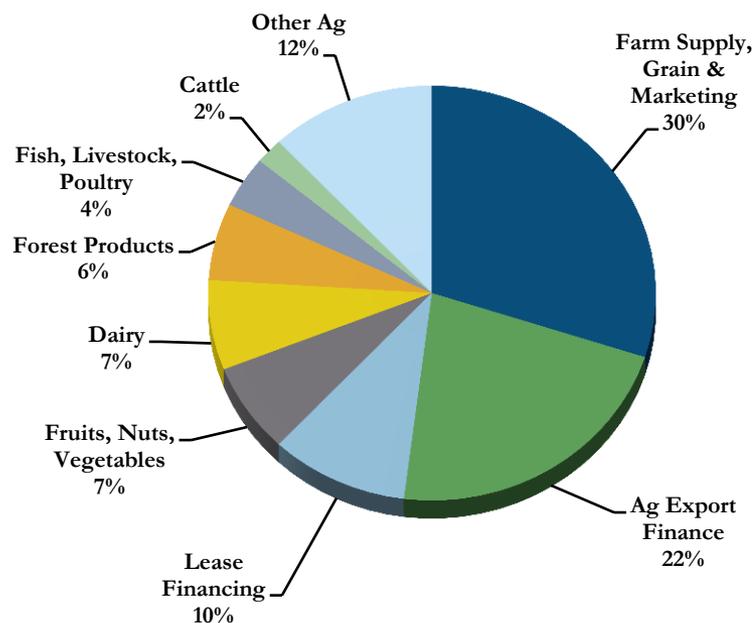
**Agribusiness**  
\$21.4 billion

**Rural Infrastructure**  
\$13.9 billion

*The U.S. AgBank merger created a more balanced and diversified loan portfolio*

# Agribusiness

**\$21.4 billion at December 31, 2012**



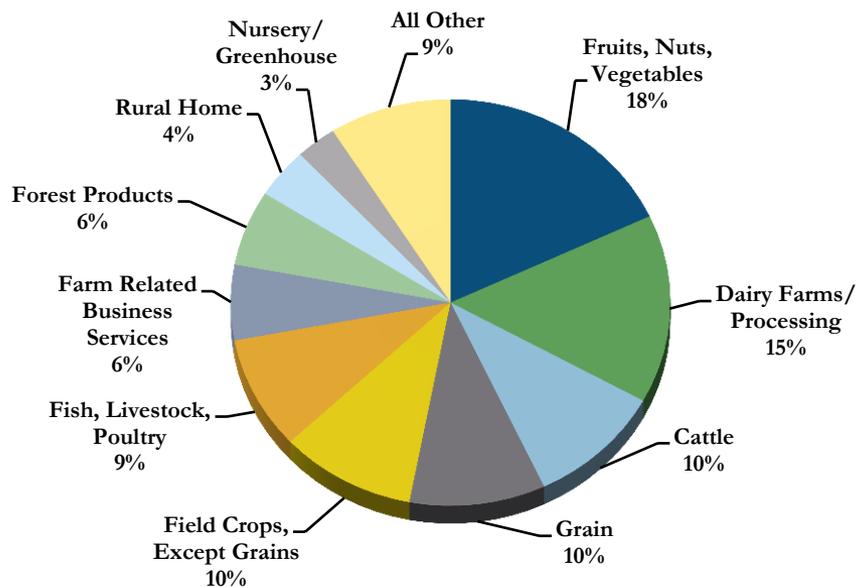
## Financial Highlights

\$ in millions	As of and for the year ended December 31,		
	2012	2011	2010
Period-end Loans	\$21,394	\$18,869	\$22,676
Average Loans	\$22,209	\$23,104	\$18,896
Net Income	\$410	\$438	\$365
Nonaccrual Loans	\$70	\$80	\$93

- Lower 2012 average loan volume resulted from a lower level of seasonal lending early in 2012
- Includes \$4.6 billion in export financing and \$2.1 billion in leases

# Strategic Relationships

**\$36.7 billion at December 31, 2012**



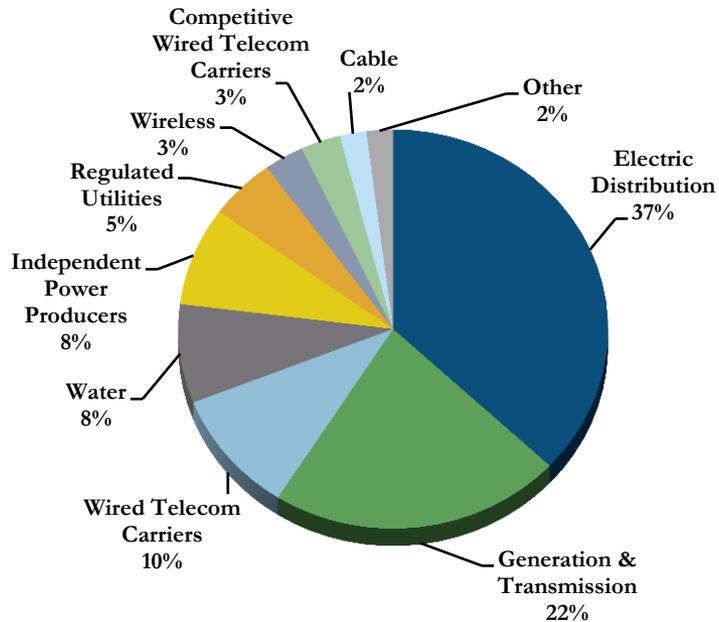
## Financial Highlights

\$ in millions	As of and for the year ended		
	December 31,		
	2012	2011	2010
Period-end Loans	\$36,707	\$15,236	\$15,392
Average Loans	\$34,976	\$15,215	\$15,118
Net Income	\$246	\$81	\$80
Nonaccrual Loans	\$---	\$---	\$---

- Includes \$33.1 billion of loans to affiliated Farm Credit associations and \$3.6 billion of loan participations in the direct notes of other Farm Credit banks
- Increase in loan volume primarily resulted from the merger

# Rural Infrastructure

\$13.9 billion at December 31, 2012



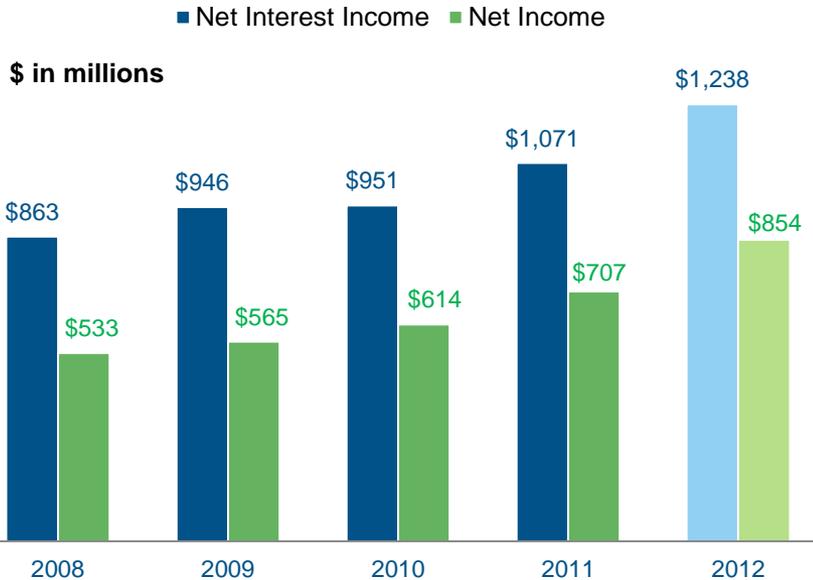
## Financial Highlights

\$ in millions	As of and for the year ended December 31,		
	2012	2011	2010
Period-end Loans	\$13,879	\$12,180	\$11,924
Average Loans	\$13,086	\$11,880	\$11,524
Net Income	\$208	\$194	\$176
Nonaccrual Loans	\$100	\$55	\$74

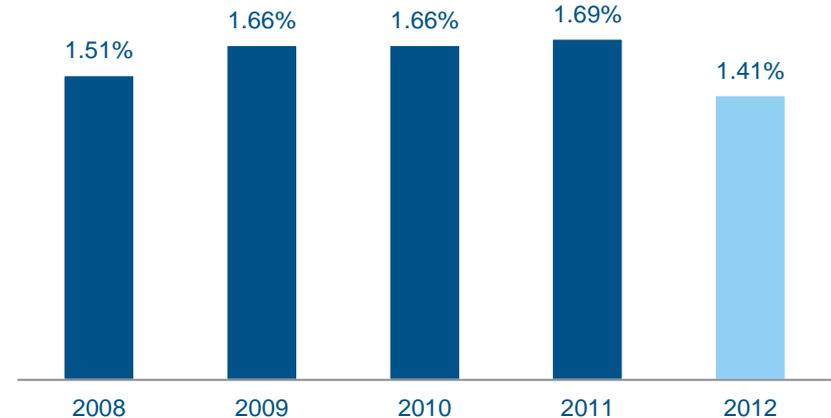
*Loan growth driven by lending to electric distribution and generation and transmission customers*

# Profitability

## Earnings and Net Interest Income



## Net Interest Margin

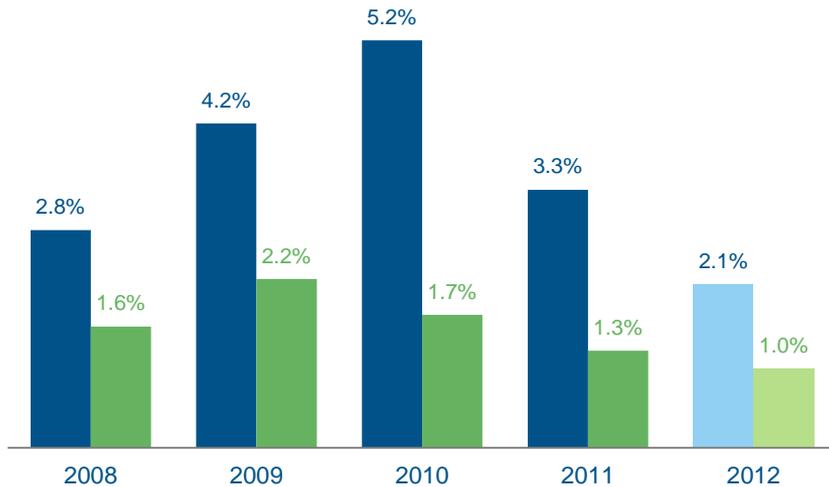


- Earnings and net interest income increased in 2012 reflecting the benefits of the merger
- Margins declined due to the addition of lower-risk wholesale loans from the merger

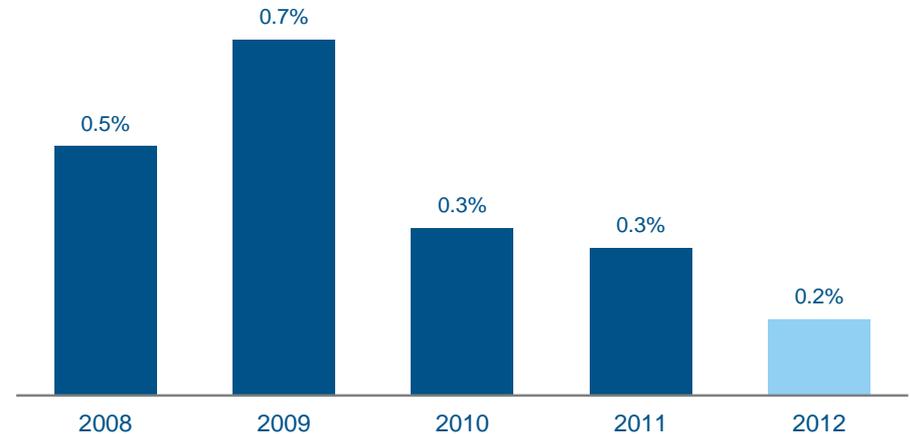
# Loan Quality

## Criticized and Adverse Loans / Total Loans

■ Criticized/Total Loans ■ Adverse/Total Loans



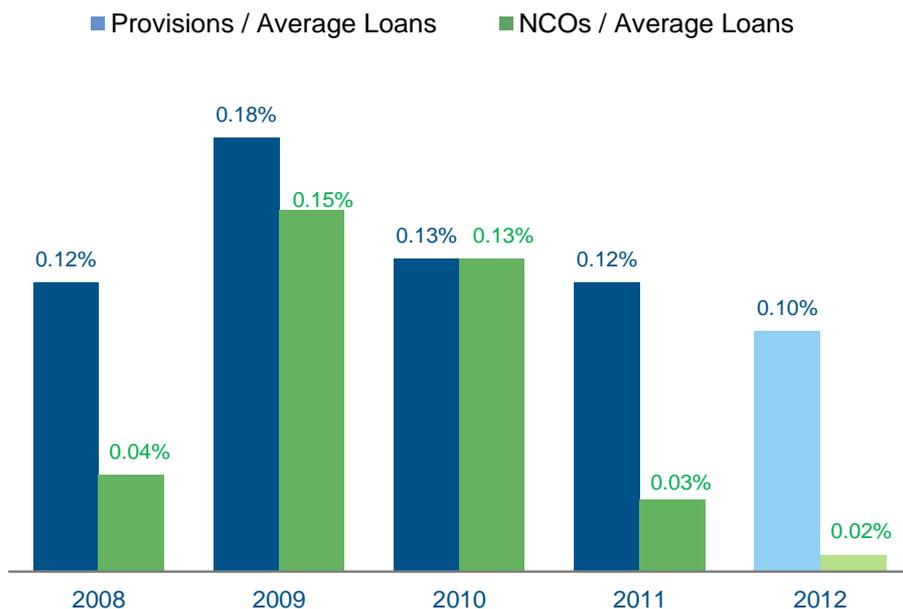
## Nonaccrual Loans / Total Loans



*Loan quality overall remains strong, with less than 0.24 percent of loans in nonaccrual*

# Provisions and Reserves

## Provisions and Net Charge-Offs



## Allowance for Credit Losses

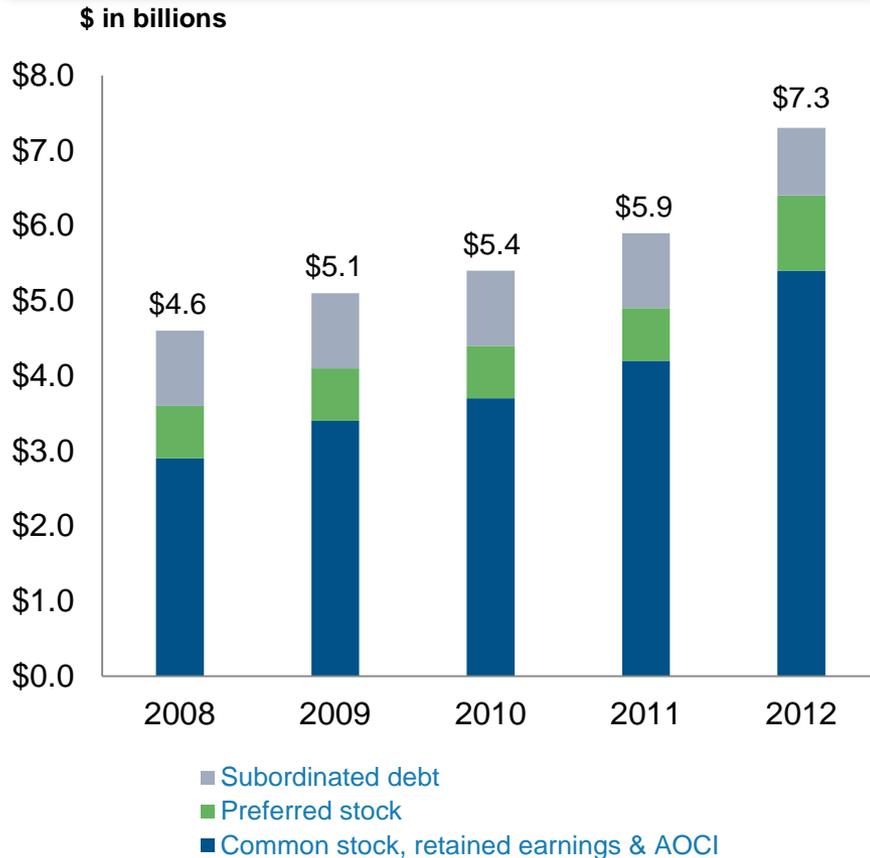


\* ACL as a percentage of non-guaranteed loans (excluding loans to Associations)

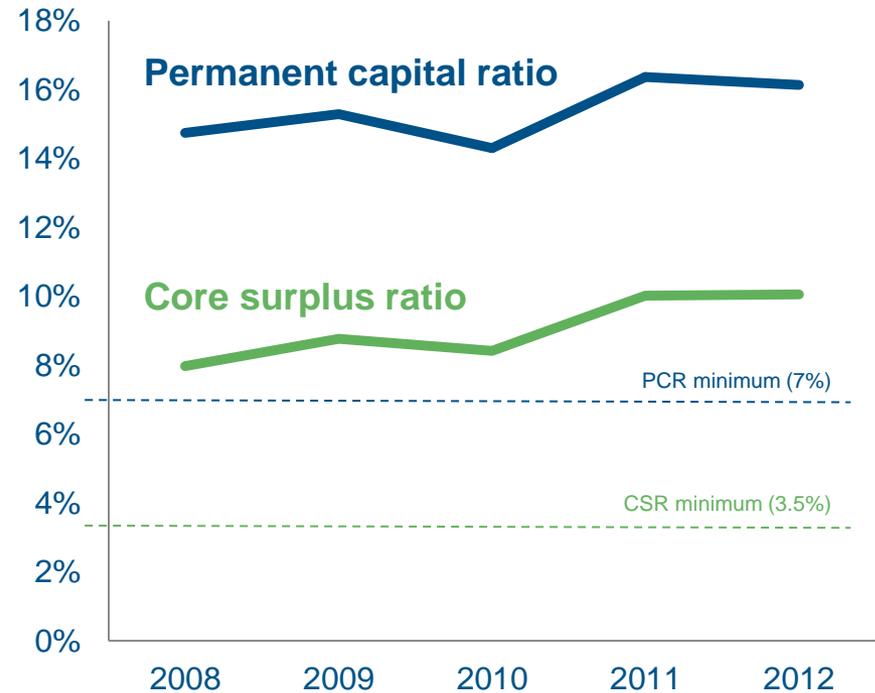
- We recorded a \$70 million provision for loan losses in 2012
- Our allowance for credit losses contributes to our overall financial strength and risk-bearing capacity

# Capital

## Capital By Type



## Key Capital Ratios



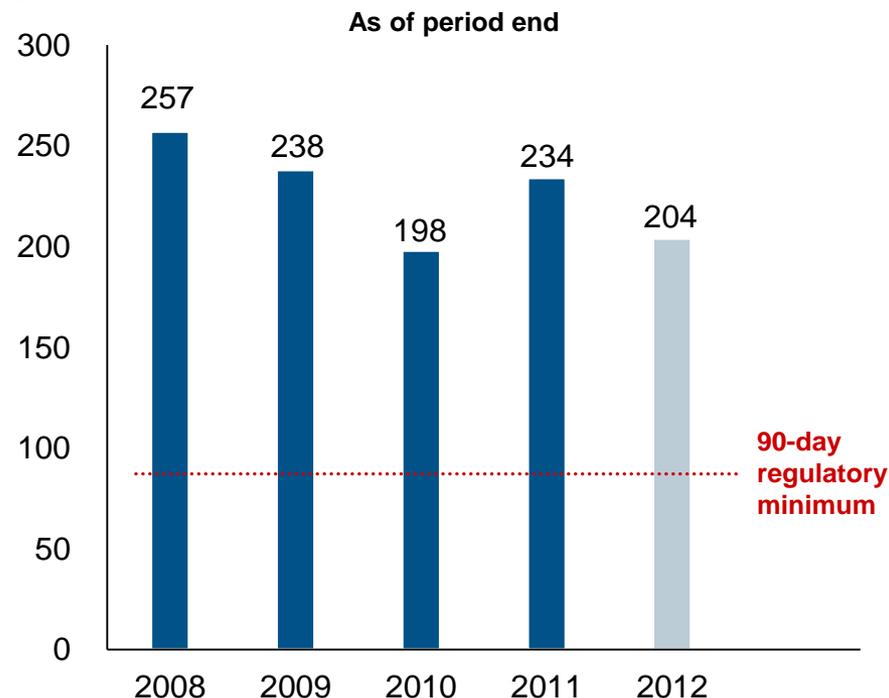
Capital increased by \$1.4 billion in 2012 due to the merger and strong earnings

# Funding and Liquidity

## Debt By Type

\$ in millions	Amount	% of Debt
Discount Notes	\$6,927	8.2%
Bonds – Noncallable	56,838	67.2%
Designated Bonds – Noncallable	11,856	14.0%
Bonds – Callable, Other	5,802	6.9%
Subordinated Debt	905	1.1%
S/T Customer Investments and Other	2,184	2.6%
<b>Total</b>	<b>\$84,512</b>	<b>100.0%</b>

## Total Days Liquidity

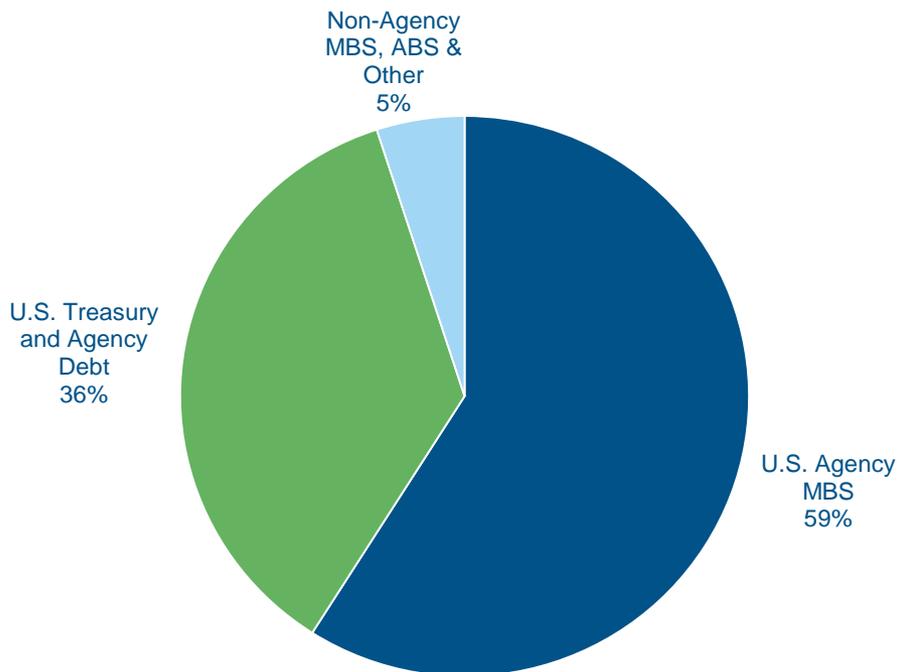


- We continue to maintain reliable access to flexible debt funding
- Liquidity position was 204 days at year-end 2012

# Investment Portfolio

Total \$18.0 billion at December 31, 2012

## Investments by Type

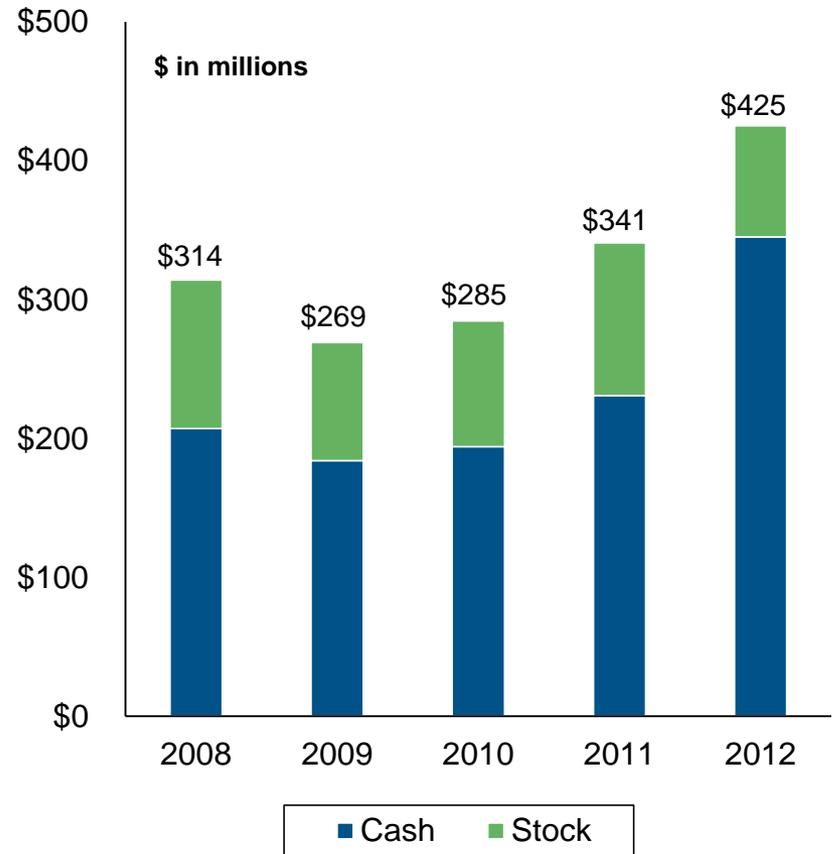


\$ in millions	Fair Value		
	2012	2011	2010
U.S. Agency MBS	\$10,568	\$9,061	\$8,739
U.S. Treasury and Agency Debt	6,491	3,638	3,358
Non-agency MBS, ABS and other	940	296	520
<b>Total</b>	<b>\$17,999</b>	<b>\$12,995</b>	<b>\$12,617</b>

*Approximately 95 percent of our investment securities carry an explicit or implied government guarantee*

# Patronage Distributions

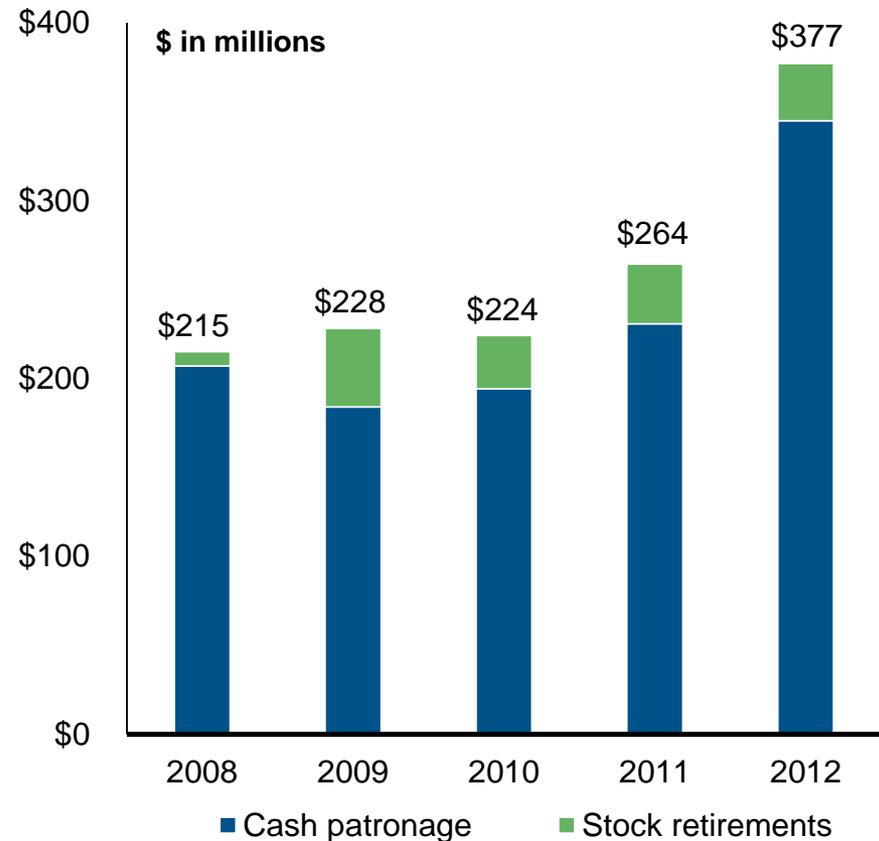
\$ in millions	Cash	Stock	Total
2008	\$207	\$107	\$314
2009	\$184	\$85	\$269
2010	\$194	\$91	\$285
2011	\$231	\$110	\$341
<b>2012</b>	<b>\$345</b>	<b>\$80</b>	<b>\$425</b>



- Significant portion of earnings paid to customers as patronage
- Total distributions increased for 2012 due to growth in loan volume, including the impact of the merger

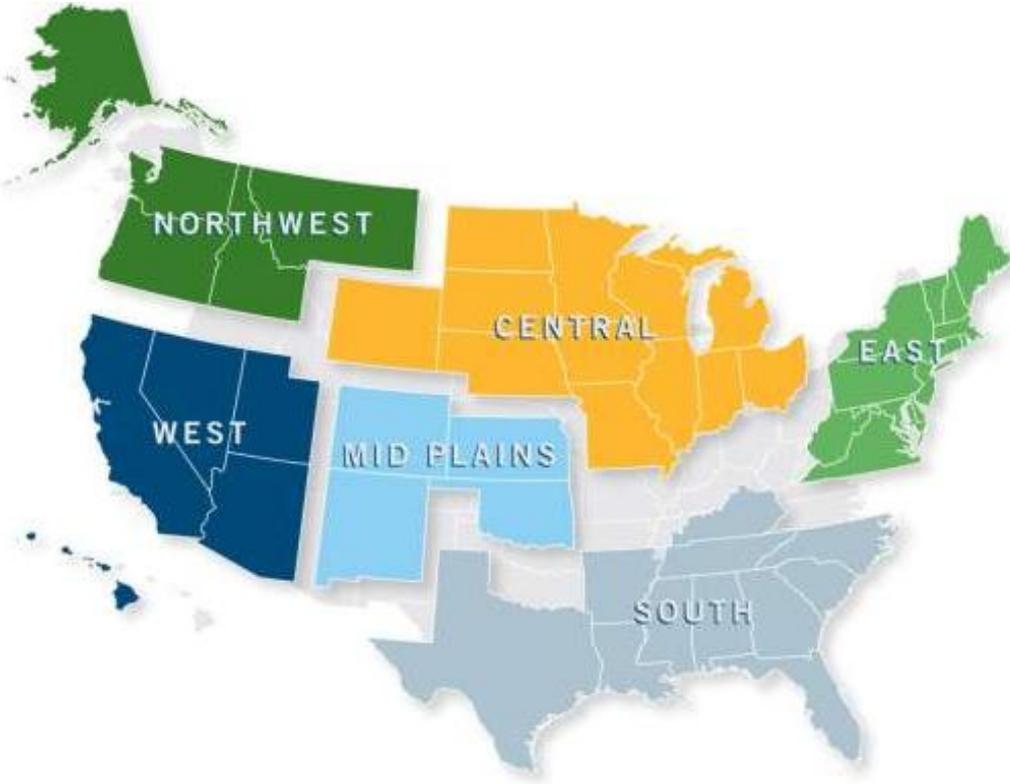
# Total Cash Payouts

\$ in millions	Cash Patronage	Stock Retirements	Total
2008	\$207	\$8	\$215
2009	\$184	\$44	\$228
2010	\$194	\$30	\$224
2011	\$231	\$33	\$264
<b>2012</b>	<b>\$345</b>	<b>\$32</b>	<b>\$377</b>



- Cash payments for 2012 will total \$377 million, including \$32 million of stock retirements
- Customers have received an average of \$262 million per year in cash payments since 2008

# CoBank Regions And Board Seats



Region	OMOV	Modified Equity	Total
East	1	2	3
South	3	1	4
Central	4	1	5
Mid Plains	2	3	5
Northwest	1	2	3
West	1	3	4
<b>TOTAL</b>	<b>12</b>	<b>12</b>	<b>24</b>

# New Board Members



**Robert Behr**  
South Region  
COO, Citrus World



**Rick Jacobson**  
Northwest Region  
Retired CEO, NORPAC



**George Kitchens**  
South Region  
CEO, Joe Wheeler EMC



**Jim Magnuson**  
Central Region  
CEO, Key Cooperative



**Jon Marthedal**  
West Region  
Chairman, Sun-Maid



**Clint Roush**  
Mid Plains Region  
Farmer (former AgBank director)



**Scott Whittington**  
Mid Plains Region  
GM, Lyons-Coffey Electric

# Board Committees

## ➤ Executive Committee

- Strategic plan
- Monitors business and financial performance

## ➤ Compensation Committee

- Bank-wide salary, incentive and benefit programs
- Evaluates performance of the President & CEO
- Succession planning

## ➤ Governance Committee

- Monitors and recommends governance processes and structures

## ➤ Audit Committee

- Oversees financial reporting processes and systems
- Monitors independence and performance of Internal Audit and Asset Review functions
- Ensures compliance with legal and regulatory requirements

## ➤ Risk Committee

- Oversees enterprise-wide risk management practices

# Regional Customer Meetings

Date	Location
February 28-March 1	Minneapolis, MN
March 4-5	Omaha, NE
March 11	Syracuse, NY
March 14-15	Bloomington, IL
March 19-20	Napa, CA
March 21-22	Wichita, KS
April 2-3	Fargo, ND
May 15-16	Amelia Island, FL
May 21-22	Austin, TX



**Everett Dobrinski**

Chairman of the Board



**Robert Engel**

President &  
Chief Executive Officer



**David Burlage**

Chief Financial Officer

# Thank You

## David Burlage

Chief Financial Officer

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[2012 Annual Reports](#)