# NEWS RELEASE

## COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

*Net Income Increases 29 Percent To $169.9 Million*

**DENVER (November 7, 2011)** — CoBank, a leading cooperative bank serving agribusinesses and rural infrastructure providers throughout the United States, today announced financial results for the third quarter of 2011.

Quarterly net income rose 29 percent to $169.9 million, compared with $132.0 million in the third quarter of 2010. Net interest income for the quarter was $252.0 million, compared with $226.3 million a year ago. Average loan volume for the third quarter was $47.6 billion, compared to $44.5 billion for the same period in 2010.

For the first nine months of 2011, net income increased 25 percent to $562.7 million, compared to $451.0 million during the same period in 2010. Net interest income increased 23 percent to $829.7 million, from $674.9 million in the prior-year period. Total loan volume for the bank at September 30, 2011 was $45.0 billion.

Growth in the bank's agribusiness portfolio was the primary driver of stronger financial performance during the quarter, as has been the case throughout the year. During most of 2011, prices for corn, wheat, soybeans and other agricultural commodities have been higher than they were in 2010, leading to increased borrowing from cooperatives that finance their inventories and receivables. At the same time, loan growth with rural infrastructure customers and Farm Credit associations has been modest, consistent with slow growth in the broader U.S. economy.

"CoBank has experienced strong financial performance throughout this year," said Robert B. Engel, the bank's president and chief executive officer. "While we're pleased with our strong results, we also recognize that loan demand from agribusiness customers as a result of the sustained increase in commodity prices may moderate or even decline in the event of a commodity market slowdown. As always, our focus remains on managing the bank for the long term, and on meeting the needs of all our customers in economic conditions that should remain volatile and challenging for the foreseeable future."

At quarter end, 1.46 percent of the bank's loans were classified as adverse assets, compared with 1.87 percent at June 30, 2011, and 1.71 percent at December 31, 2010. Nonaccrual loans decreased to $160.7 million, from $191.3 million at the end of the second quarter and $167.0 million at the end of the prior year. During the third quarter, the bank recorded a $12.5 million provision for loan losses, bringing the year-to-date provision to $50.0 million. The provision for loan losses in the first nine months of last year was $37.5 million. The bank's reserve for credit exposure totaled $533.4 million at September 30, 2011, or 1.99 percent of non-guaranteed loans outstanding when loans to Farm Credit associations are excluded.

“Credit risk in CoBank’s loan portfolio has been generally stable throughout 2011 and remains well within the bank’s risk-bearing capacity,” said David P. Burlage, CoBank’s chief financial officer.

Capital levels at the bank are significantly above regulatory minimums. As of September 30, 2011, shareholders’ equity totaled $4.9 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 quarter end, CoBank held approximately $16.0 billion in cash and investments. The bank averaged 190 days of liquidity during the first nine months of the year, compared with the 90-day regulatory minimum set by the FCA. “As a member of the Farm Credit System, CoBank continues to enjoy strong access to the debt funding markets,” Burlage said. “The System’s cooperative ownership structure and steady financial performance throughout the economic downturn of the past few years have been important factors in maintaining investor confidence in System debt securities. Nonetheless, we have adopted a conservative position with regard to liquidity in order to ensure we can meet the borrowing needs of our customers in the event of a broader credit market disruption.”

CoBank recorded $2.0 million in impairment losses on investment securities during the third quarter, primarily due to continued weakness in the U.S. housing market and broader economy, and the related impact on certain mortgage- and asset-backed securities held by the bank. Through the first nine months of 2011, impairment losses have totaled $6.0 million, compared with $39.0 million during the same period last year. Credit risk in CoBank’s investment portfolio is limited by the fact that approximately 97 percent of the bank’s securities carry an implied or explicit guarantee from the U.S. government.

## U.S. AgBank Merger Update

As previously announced, CoBank has executed a letter of intent to merge with U.S. AgBank, another bank in the Farm Credit System. The combined bank is expected to have approximately $90 billion in assets at merger close and will serve as a wholesale provider of financing to Farm Credit associations as well as a direct lender to farmer-owned agricultural cooperatives, infrastructure companies and other rural businesses. On a combined basis, the bank will provide credit and financial services to more than 70,000 farmers and ranchers in 23 states, and cooperatives and other retail customers nationwide. The bank will do business under the CoBank name and remain headquartered in Colorado, with Engel continuing in the role of chief executive officer.

On September 7, 2011, the merger received approval from the stockholders of both banks. Final approval from the FCA is expected during the fourth quarter, and the banks plan to formally close the merger on January 1, 2012.

“We believe the merger will create a stronger, more durable financial services institution with an enhanced ability to fulfill its mission, both today and for future generations of rural borrowers,” Engel said. “We appreciate the strong support our customer-owners have demonstrated in approving the merger, and we are committed to delivering a seamless integration on behalf of our customers and other stakeholders.”

## About CoBank

CoBank is a $62 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.

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. In addition to serving its direct retail borrowers, the bank also provides wholesale loans and other financial services to affiliated Farm Credit associations and other partners across the country.

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, 2011 (Unaudited) | December 31, 2010 |
|---|---|---|
| Loans | $ 45,028 | $ 49,992 |
| Less: Allowance for loan losses | 391 | 401 |
| Net loans | 44,637 | 49,591 |
| Investment securities | 13,237 | 12,617 |
| Cash | 2,778 | 1,923 |
| Accrued interest receivable and other assets | 569 | 694 |
| Interest rate swaps and other financial instruments | 1,115 | 1,001 |
| Total assets | $ 62,336 | $ 65,826 |
| | | |
| Bonds and notes | $ 55,295 | $ 59,324 |
| Subordinated debt | 1,000 | 1,000 |
| Accrued interest payable and other liabilities | 913 | 903 |
| Interest rate swaps and other financial instruments | 130 | 93 |
| Reserve for unfunded commitments | 143 | 100 |
| Total liabilities | 57,481 | 61,420 |
| | | |
| Shareholders' equity | 4,855 | 4,406 |
| Total liabilities and shareholders' equity | $ 62,336 | $ 65,826 |

## STATEMENT OF INCOME INFORMATION

| For the three months ended September 30, | 2011 | 2010 |
|---|---|---|
| | (Unaudited) | |
| Interest income | $ 428 | $ 407 |
| Interest expense | 176 | 181 |
| Net interest income | 252 | 226 |
| Provision for loan losses | 13 | 21 |
| Net interest income after provision for loan losses | 239 | 205 |
| Noninterest income | 28 | 3 |
| Operating expenses | 56 | 43 |
| Provision for income taxes | 41 | 33 |
| Net income | $ 170 | $ 132 |

## STATEMENT OF INCOME INFORMATION

| For the nine months ended September 30, | 2011 | 2010 |
|---|---|---|
| | (Unaudited) | |
| Interest income | $ 1,374 | $ 1,213 |
| Interest expense | 544 | 538 |
| Net interest income | 830 | 675 |
| Provision for loan losses | 50 | 38 |
| Net interest income after provision for loan losses | 780 | 637 |
| Noninterest income | 92 | 78 |
| Operating expenses | 166 | 153 |
| Provision for income taxes | 143 | 111 |
| Net income | $ 563 | $ 451 |