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NEWS RELEASE

COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

Merger With U.S. AgBank Continues to Deliver Benefits

Net Income Increases 28 Percent To $217.7 Million

DENVER (November 9, 2012) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the third quarter of 2012.

Third-quarter net income rose 28 percent to $217.7 million, compared with $169.9 million in the same quarter last year. Net interest income for the quarter was $305.1 million, compared with $252.0 million a year ago. Average loan volume for the quarter was $70.3 billion, compared to $47.6 billion for the same period in 2011.

For the first nine months of 2012, net income increased 24 percent to $700.5 million from $562.7 million for the same period in 2011. Net interest income increased 12 percent to $925.2 million. Total loan volume for the bank at quarter end was $69.9 billion.

The bank's results reflected the benefits of its merger with U.S. AgBank, which closed on January 1, 2012. Through the merger, the bank acquired U.S. AgBank's assets and liabilities, including approximately $20 billion in wholesale loans to 25 Farm Credit associations. The transaction increased average loan volume as well as net interest income, net income and other key measures of financial performance.

Year-to-date results also include the impact of $44.6 million in refunds from the Farm Credit System Insurance Corporation received in the second quarter.

"We're pleased with CoBank's performance through the first three quarters of the year," said Robert B. Engel, president and chief executive officer. "Our customers count on us to maintain the financial strength and flexibility required to meet their credit needs no matter what conditions are like in the market. The merger with U.S. AgBank was undertaken with that goal in mind and is now delivering significant benefits for the bank and its customers across all the industries we serve."

The performance of the bank's individual operating segments has varied considerably in 2012 due to the merger as well as external economic and market conditions. Average agribusiness loan volume for the first nine months of 2012 has declined by approximately 9 percent owing to lower prices for grains and other commodities earlier in the year and reduced inventory financing at agricultural cooperatives. At the same time, the bank saw a 9 percent increase in lending to rural infrastructure customers, driven by increased lending activity in the power supply industry and increased market penetration in the electric distribution industry. Loans to Farm Credit associations have increased primarily due to the merger.

Overall credit quality in CoBank's loan portfolio continues to be strong. At quarter end, 1.03 percent of the bank's loans were classified as adverse assets, down from 1.25 percent at December 31, 2011. Nonaccrual loans increased during the third quarter to $168.5 million from $106.9 million at June 30, 2012, largely due to credit concerns involving a limited number of communications and rural energy customers. During the third quarter, the bank recorded a $10.0 million provision for loan losses, increasing the provision to $20.0 million for the first nine months of the year. The provision for loan losses in the first nine months of 2011 was $50.0 million.

"From a credit quality standpoint, CoBank continues to benefit from the addition of U.S. AgBank's portfolio of high quality loans to Farm Credit associations, as well as relatively strong conditions in the U.S. rural economy," said David P. Burlage, CoBank's chief financial officer. "That said, we do expect moderate declines in credit quality over the next few quarters as the effects of this year's drought on crop yields and commodity prices impact various customer segments, including grain and farm supply cooperatives and customers in the dairy and livestock industries."

The bank's allowance for credit losses now totals $549.5 million, or 1.79 percent of non-guaranteed loans outstanding excluding loans to Farm Credit associations. "CoBank's strong allowance serves as an important source of protection against credit losses for the bank and its customer-owners," Burlage said.

Capital and liquidity levels at CoBank remain strong and well above regulatory minimums. As of September 30, 2012, shareholders' equity totaled $6.4 billion, and the bank's permanent capital ratio was 16.13 percent, compared with the 7.00 percent minimum established by the Farm Credit Administration (FCA), the independent regulator for the Farm Credit System. At quarter end, CoBank's cash and investments totaled $18.8 billion, and days liquidity totaled 193 days. The bank recorded $2.0 million in impairment losses on investment securities during each of the quarters ended September 30, 2012 and 2011.

As previously announced, CoBank completed a series of preferred stock transactions subsequent to quarter end that enhanced its capital position. The bank redeemed $363.3 million of cumulative perpetual preferred stock and issued $400.0 million in new non-cumulative perpetual preferred stock. The transactions will lower CoBank's dividend costs by approximately $1.8 million per year, despite the higher principal amount outstanding, and the newly issued preferred stock will receive better capital treatment under FCA regulations.

"We're pleased we were able to complete these transactions successfully, and we continue to monitor the markets closely for additional opportunities to strengthen our capital position and reduce costs," Burlage said.

Engel noted that CoBank is now firmly on track to record its 13th consecutive year of net income growth, despite overall market conditions that remain volatile and highly uncertain. "As we approach the end of 2012, the level of downside risk in the global economy remains very high," Engel said. "Around the world, political issues are at the forefront, exerting outsized influence over the pace and direction of economic growth. At CoBank we are focused on what we can control: maintaining the financial strength of our business for the long term, and delivering on our value proposition to customers every day."

<u>About CoBank</u>

CoBank is a $90 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 more than 70,000 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

	September 30, 2012 (Unaudited)	December 31, 2011
Total Loans	$ 69,945	$ 46,285
Less: Allowance for loan losses	376	388
Net loans	69,569	45,897
Cash	1,020	2,772
Investment securities	17,815	12,995
Interest rate swaps and other financial instruments	1,091	1,049
Accrued interest receivable and other assets	761	577
Total assets	$ 90,256	$ 63,290
Bonds and notes	$ 81,420	$ 56,104
Subordinated debt	1,000	1,000
Interest rate swaps and other financial instruments	174	137
Reserve for unfunded commitments	173	154
Accrued interest payable and other liabilities	1,127	999
Total liabilities	83,894	58,394
Shareholders' equity	6,362	4,896
Total liabilities and shareholders' equity	$ 90,256	$ 63,290

STATEMENT OF INCOME INFORMATION

For the three months ended September 30,	2012	2011
	(Unaudited)	
Interest income	$ 502	$ 428
Interest expense	197	176
Net interest income	305	252
Provision for loan losses	10	13
Net interest income after provision for loan losses	295	239
Noninterest income	25	28
Operating expenses	66	56
Provision for income taxes	36	41
Net income	$ 218	$ 170

STATEMENT OF INCOME INFORMATION

For the nine months ended September 30,	2012	2011
	(Unaudited)	
Interest income	$ 1,523	$ 1,374
Interest expense	598	544
Net interest income	925	830
Provision for loan losses	20	50
Net interest income after provision for loan losses	905	780
Noninterest income	132	92
Operating expenses	190	166
Provision for income taxes	146	143
Net income	$ 701	$ 563