



NEWS RELEASE

CoBank Lowers Dividend Costs And Enhances Capital Position Through Preferred Stock Transactions

DENVER (October 4, 2012) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit System associations throughout the United States, announced today that it has completed preferred stock transactions that lower the bank's dividend costs while enhancing its overall capital position.

On October 1, 2012, CoBank redeemed all of its Series A cumulative perpetual preferred stock, issued in June 2001, and its Series B cumulative perpetual preferred stock, issued in November 2003. Together, the two series totaled approximately \$363 million with a blended effective dividend rate of approximately 7.4 percent.

On October 4, 2012, the bank issued \$400 million of new Series F non-cumulative perpetual preferred stock. The Series F preferred stock has a fixed dividend rate of 6.25 percent until October 1, 2022, after which dividends will accrue at a floating rate. Bank of America Merrill Lynch and J.P. Morgan served as Joint Bookrunners on this transaction.

"These transactions will deliver multiple benefits to the bank and its customer-owners," said Robert B. Engel, CoBank's president and chief executive officer. "Third-party capital supplements our member stock and unallocated retained earnings, and it provides the bank with enhanced capacity to serve the borrowing needs of our customers. We're pleased to have been able to take advantage of conditions in the capital markets, which are currently favorable for high-quality corporate issuers."

David P. Burlage, CoBank's chief financial officer, noted that the transactions will lower CoBank's dividend costs by approximately \$1.8 million per year, despite the higher amount outstanding. In addition, the Series F preferred stock will receive better capital treatment under Farm Credit Administration regulations. "The quality and durability of our third-party capital has been significantly enhanced as a result of these transactions," Burlage said.

In addition to the new Series F preferred stock, CoBank has outstanding three other series of non-cumulative perpetual preferred stock totaling \$562 million. CoBank also has \$1 billion in subordinated debt outstanding.

"Our capital strategy is designed to maximize the financial strength and flexibility of the bank and meet the present and future needs of our customers, while minimizing the overall cost," Burlage said. "As always, we continue to monitor the markets closely for additional opportunities to enhance our overall capital position."

About CoBank

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.

Contact

Arthur Hodges
Senior Vice President, Corporate Communications
303-740-4061
ahodges@cobank.com

Dan Haley
Director of Corporate Communications
303-793-2239
dhaley@cobank.com

Sherry Johnson
Corporate Communications Manager
303-740-6518
sjohnson@cobank.com