NEWS RELEASE

COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

DENVER (May 3, 2013) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the first quarter of 2013.

Average loan volume in the quarter rose 5.7 percent to $73.4 billion, compared to $69.4 billion in the same period last year. Net interest income declined by 3.4 percent, to $302.4 million, and net income fell 9.4 percent to $208.8 million. Total loans at March 31, 2013 were $73.0 billion.

Growth in average loan volume was driven primarily by higher lending to affiliated Farm Credit associations, reflecting increased financing activity at the producer level of the U.S. farm economy, as well as increased borrowing by rural infrastructure customers. Nevertheless, profitability for the quarter declined due to lower net interest income, a higher provision for loan losses, higher Farm Credit System insurance premiums and a greater level of losses on early extinguishments of debt, net of prepayment income. Net interest income declined primarily due to continuing low interest rates, which impacted the bank's returns on invested capital, its funding position and its portfolio of liquidity investment securities.

"We're pleased with the bank's results for the quarter, which were strong despite continued challenging conditions in the market," said Bob Engel, CoBank's president and chief executive officer. "Demand for financing remains stable across most of the industries we serve. At the same time, a prolonged period of extremely low interest rates has pressured net interest income for most banks, CoBank included. We expect to be dealing with this dynamic in our business until we return to a more normalized rate environment."

Credit quality in the bank's loan portfolio declined modestly during the quarter but remained favorable by historical standards. At quarter end, 1.20 percent of the bank's loans were classified as adverse assets, compared to 1.01 percent at December 31, 2012 and 1.02 percent at March 31, 2012. The bank recorded a $15.0 million provision for loan losses during the first quarter of 2013, compared to $5.0 million in the same period last year. Nonaccrual loans increased to $245.8 million at quarter end from $170.2 million at December 31, 2012 and $125.0 million at March 31, 2012. The increases in the provision and nonaccrual loans related primarily to credit concerns involving a small number of communications customers. The bank's allowance for credit losses totaled $619.2 million at quarter end, or 1.82 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

Capital levels at the bank remain well in excess of regulatory minimums. As of March 31, 2013, shareholders' equity totaled $6.5 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. As previously announced, the bank further enhanced its capital position subsequent to quarter end by issuing $200 million in additional non-cumulative perpetual preferred stock, which has a fixed dividend rate of 6.125 percent.

“One benefit of the low interest rate environment has been our ability to issue preferred stock at favorable rates,” said David P. Burlage, CoBank’s chief financial officer. “Third-party capital supplements our member capital and retained earnings, and increases our capacity to meet the needs of customers in all market conditions. We continue to monitor the capital markets closely and to look for additional opportunities to optimize our capital position and overall cost of capital.”

At quarter end, the bank held approximately $20.9 billion in cash and investments. The bank averaged 193 days of liquidity during the quarter and had 189 days at March 31, 2013, compared with the 90-day FCA minimum.

“As we have said previously, we expect the near-term earnings environment to be less favorable for CoBank given continuing low interest rates, increased competition for our customers’ business and other economic and market challenges,” Engel said. “As a result, CoBank will be placing an increased focus on driving a higher level of operating efficiency. Nonetheless, we are confident in CoBank’s continued ability to deliver strong financial performance and patronage while reliably meeting the needs of its customers across rural America.”

About CoBank

CoBank is a $95 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.

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

BALANCE SHEET INFORMATION

	March 31, 2013 (Unaudited)	December 31, 2012
Loans	$ 72,996	$ 71,980
Less: Allowance for loan losses	450	437
Net loans	72,546	71,543
Cash	321	1,254
Investment securities	20,566	17,999
Interest rate swaps and other financial instruments	905	1,005
Accrued interest receivable and other assets	670	677
Total assets	$ 95,008	$ 92,478
Bonds and notes	$ 86,285	$ 83,607
Subordinated debt	905	905
Interest rate swaps and other financial instruments	137	158
Reserve for unfunded commitments	169	158
Accrued interest payable and other liabilities	994	1,209
Total liabilities	88,490	86,037
Shareholders' equity	6,518	6,441
Total liabilities and shareholders' equity	$ 95,008	$ 92,478

STATEMENT OF INCOME INFORMATION

For the three months ended March 31,	2013	2012
	(Unaudited)	
Interest income	$ 495	$ 519
Interest expense	193	206
Net interest income	302	313
Provision for loan losses	15	5
Net interest income after provision for loan losses	287	308
Noninterest income	26	32
Operating expenses	66	59
Provision for income taxes	38	51
Net income	$ 209	$ 230