



NEWS RELEASE

COBANK REPORTS FULL-YEAR FINANCIAL RESULTS FOR 2012

Merger With U.S. AgBank Drives Improved Performance

Net Earnings Increased 21 Percent to \$853.9 Million; Capital And Liquidity Levels Remained Strong

2012 Patronage Distributions To Customers Will Total A Record \$425.0 Million

DENVER (February 21, 2013) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced fourth-quarter and full-year financial results for 2012.

CoBank reported net income of \$853.9 million for the year, up 21 percent from \$706.6 million in 2011. CoBank also reported net income of \$153.4 million for the fourth quarter of 2012, an increase of 7 percent as compared to the fourth quarter of 2011.

Net interest income rose 16 percent to \$1,238 million for 2012, which reflected a 40 percent increase in average loan volume to \$70.3 billion. For the fourth quarter of 2012, net interest income rose 30 percent to \$312.9 million. Total loans outstanding at December 31, 2012, were \$72.0 billion.

The large increase in average loan volume was driven primarily by CoBank's 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 lower-spread, lower-risk wholesale loans to 25 Farm Credit associations. CoBank also experienced higher average loan volume during the year in its Rural Infrastructure operating segment, primarily due to growth in lending to rural electric customers throughout the country, as well as an increase in agricultural export financing due to the growing role of U.S. agriculture in feeding the world. Those increases offset declines in seasonal agribusiness lending that occurred as a result of lower commodity prices in the first half of the year, shifting farmer delivery patterns at grain and farm supply cooperatives, and the strong financial position of agricultural cooperatives and businesses.

"We're extremely pleased with CoBank's performance in 2012," said Robert B. Engel, president and chief executive officer. "Our merger with U.S. AgBank more than lived up to expectations, delivering meaningful and enduring benefits for our business. Despite difficult conditions in the financial markets and the broader U.S. economy, the bank continued to meet the needs of its customers in rural America while building financial strength and flexibility for the long term."

As previously announced, the bank's full-year results also included a one-time benefit of \$44.6 million for a Farm Credit Insurance Fund refund received in the second quarter of the year, partially offset by losses of \$28.5 million in the fourth quarter related to the extinguishment of a portion of the bank's subordinated debt. The bank also incurred losses on early extinguishments of other debt securities, net of prepayment fees, totaling \$37.3 million in 2012, as compared to \$25.7 million in 2011.

In March, the bank will distribute \$425.0 million in total patronage, including \$344.5 million in cash and \$80.5 million in common stock. For most customers, that will represent 100 basis points of average qualifying loan volume during the past year, effectively lowering their overall net cost of debt capital from CoBank.

“This year’s record patronage payout includes the 75 percent cash component approved by our board of directors in December,” Engel said. “As a cooperative lender, we’re delighted to be providing our customer-owners with such a significant return, which they can use to invest in the future growth of their own businesses.”

Credit quality in the bank’s loan portfolio improved modestly during 2012 as a result of the merger and the addition of AgBank’s high-quality loans to Farm Credit associations. At year-end, 1.01 percent of the bank’s loans were classified as adverse assets, compared to 1.03 percent at the end of the third quarter of 2012 and 1.25 percent at December 31, 2011. The provision for loan losses totaled \$70.0 million in 2012, including \$50.0 million in the fourth quarter, largely due to specific credit challenges involving a small number of customers, further assessment of risk associated with individual loan and industry concentrations, as well as continued weakness in the economy. The 2011 provision was \$58.0 million. Nonaccrual loans were \$170.2 million at December 31, 2012, or 0.24 percent of total loans, compared to \$134.9 million, or 0.29 percent of total loans, at year-end 2011.

The bank’s allowance for credit losses totaled \$595.1 million at year-end, or 1.87 percent of non-guaranteed loans when loans to Farm Credit associations are excluded. “Our allowance is strong and provides a solid level of protection against losses in our loan portfolio,” said David P. Burlage, CoBank’s chief financial officer.

Capital and liquidity levels at the bank remain well in excess of regulatory minimums. As of December 31, 2012, shareholders’ equity totaled \$6.4 billion, and the bank’s permanent capital ratio was 16.1 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank’s independent regulator. At year end, the bank held approximately \$19.3 billion in cash and investments. The bank averaged 190 days of liquidity during 2012 and had 204 days at year end, compared with the 90-day FCA minimum.

Engel noted that 2012 represented the 13th consecutive year of earnings growth for the bank. “Very few other financial institutions in the world can point to a track record of continuous success as long as CoBank’s,” he said. “We have benefited immensely from the strength of our customer base and the fundamental soundness of the U.S. rural economy.”

At the same time, Engel said the bank faces a number of ongoing challenges, including slow overall economic growth, intensified competition for loans and low interest rates that have significantly decreased returns on invested capital.

“As always, we’re focused on the long-term position of the bank,” Engel said. “While the earnings environment is likely to be less favorable for CoBank in 2013, we are very confident in our ability to continue meeting the needs of our customers, fund our patronage program and fulfill our mission of service to rural America.”

Customer Meetings and 2012 Earnings Webcast and Conference Call

CoBank will provide more information about its 2012 financial results at its upcoming series of regional customer meetings, which will take place in nine cities around the country between February and May of 2013. Managers and directors of any CoBank borrower are invited to attend these meetings, as are representatives of all Farm Credit institutions. For complete details about the meeting program, please visit the bank’s meetings page at www.cobank.com/meetings.

In addition, the bank will hold its annual conference call and webcast at 2 p.m. Eastern time on Tuesday, February 26. The 60-minute call will feature a presentation of 2012 financial highlights and Q&A with CoBank executives.

To join via phone, call 866-314-9013 and use passcode 48135420. To join via the Internet, click [here](#) or visit the "Newsroom & Financials" section of the CoBank web site.

About CoBank

CoBank is a \$92 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

As of December 31,	2012	2011
Loans	\$ 71,980	\$ 46,285
Less: Allowance for loan losses	437	388
Net loans	<u>71,543</u>	<u>45,897</u>
Cash	1,254	2,772
Investment securities	17,999	12,995
Interest rate swaps and other financial instruments	1,005	1,049
Accrued interest receivable and other assets	677	577
Total assets	<u><u>\$ 92,478</u></u>	<u><u>\$ 63,290</u></u>
Bonds and notes	\$ 83,607	\$ 56,104
Subordinated debt	905	1,000
Interest rate swaps and other financial instruments	158	137
Reserve for unfunded commitments	158	154
Accrued interest payable and other liabilities	1,209	999
Total liabilities	<u>86,037</u>	<u>58,394</u>
Shareholders' equity	6,441	4,896
Total liabilities and shareholders' equity	<u><u>\$ 92,478</u></u>	<u><u>\$ 63,290</u></u>

STATEMENT OF INCOME INFORMATION

For the year ended December 31,	2012	2011
Interest income	\$ 2,025	\$ 1,789
Interest expense	787	718
Net interest income	<u>1,238</u>	<u>1,071</u>
Provision for loan losses	70	58
Net interest income after provision for loan losses	<u>1,168</u>	<u>1,013</u>
Noninterest income	113	118
Operating expenses	263	228
Provision for income taxes	164	196
Net income	<u><u>\$ 854</u></u>	<u><u>\$ 707</u></u>