

Delivering Dependability – In A Changing World



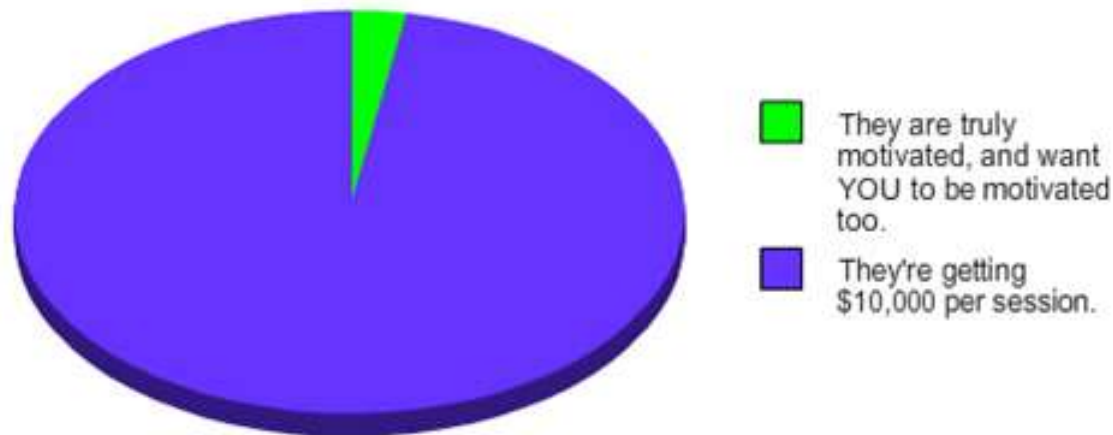
Cliff Bolstad and Rachel Hanson
Tri-State REMA Financial Managers Conference
August 19, 2011



Proud Member of the Farm Credit System 

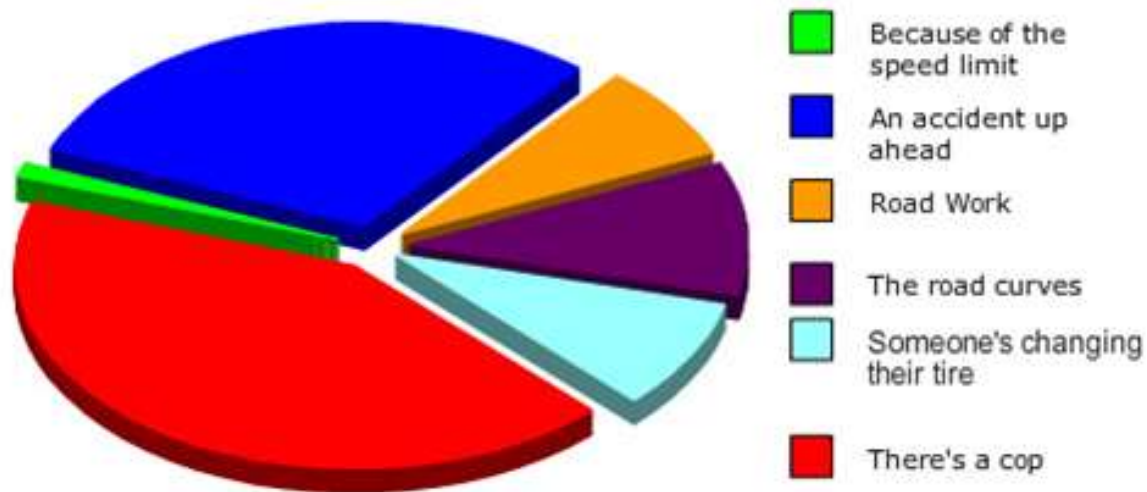


Why motivational speakers sound so motivated / upbeat / thrilled / content





Why People Slow Down on Highways



A Changing World ...



Traffic jams in China



A Changing World ...



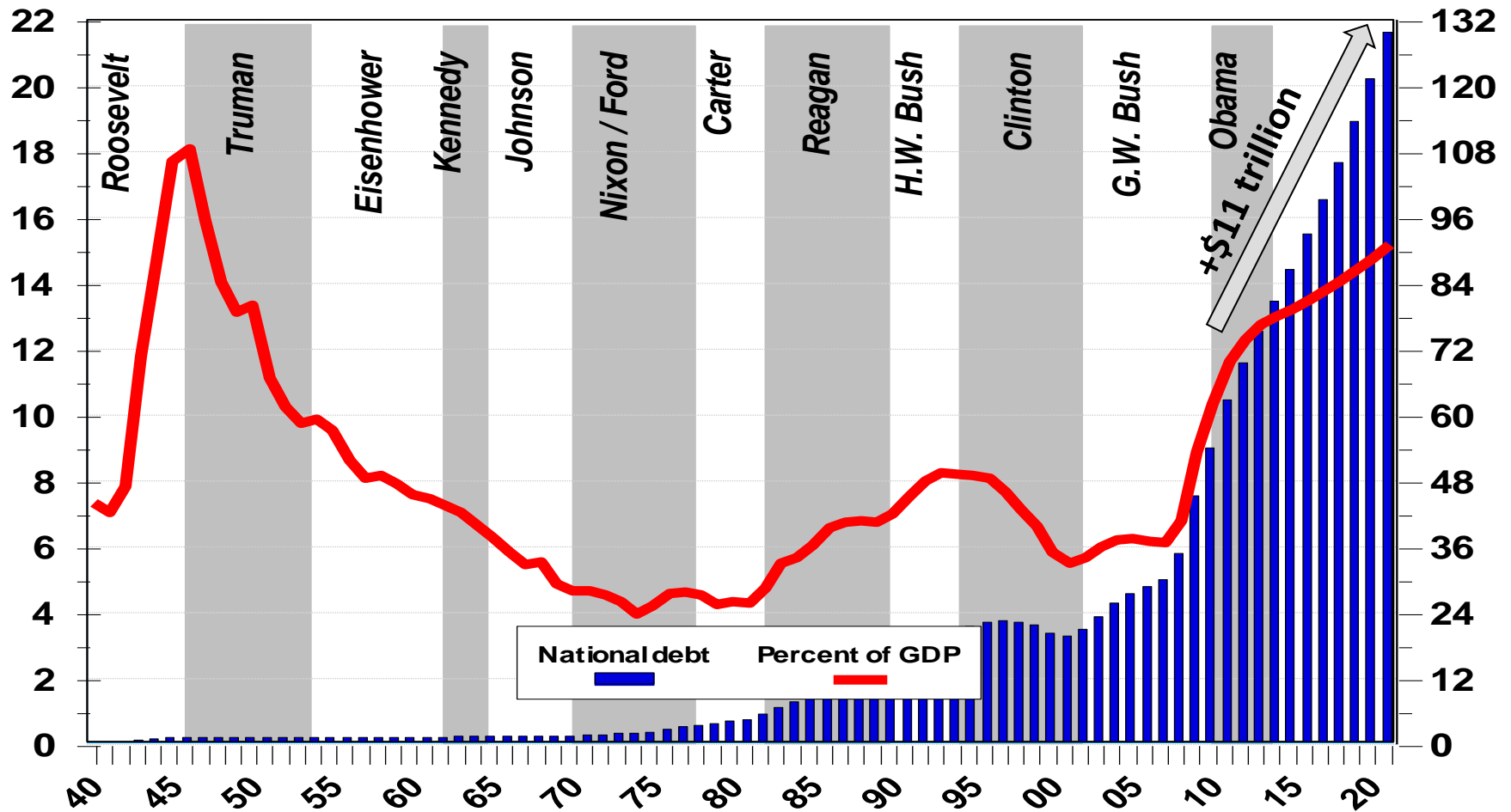
Rating Downgrade





Trillions of dollars

Percent of GDP



*Assumptions: phase-out in Iraq/ Afghanistan; Permanent extension of tax provisions. Jan, 2011

Chart source: Knowledge Exchange Division, CoBank, ACB (confidential and proprietary)



A Changing World ...



Bigger debt worries in Europe



Sovereign Debt Issues Intensify If Spain and Italy are Engaged



Foreign Banks Claims on PIIGS

	<u>Portugal</u>	<u>Ireland</u>	<u>Italy</u>	<u>Greece</u>	<u>Spain</u>	<u>Total exposure</u>
	(% of lender banks' home country banking system capital & reserves)					
Germany	8	32	37	8	42	127
France	6	8	73	10	30	126
Netherlands	5	17	37	4	61	124
Portugal	-	39	7	19	47	112
Ireland	5	-	39	7	24	75
U.K.	2	17	6	1	12	39
Spain	23	3	9	-	-	35
Italy	1	3	-	1	6	11
Greece	-	2	2	-	-	4

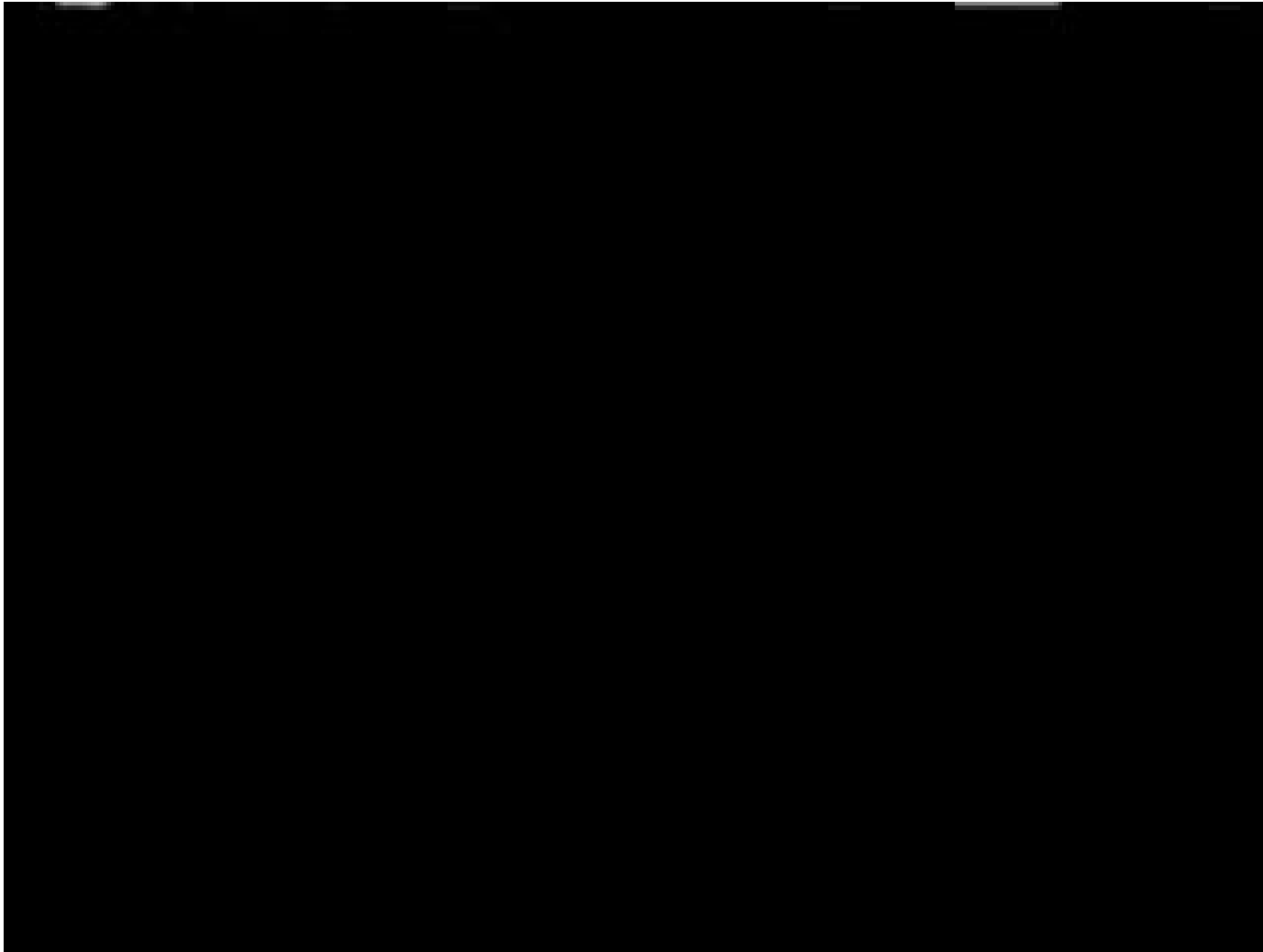
* Does not indicate number of banks or magnitude of counterparty risk.



Unrest in the Middle East



How should we respond to these changes?



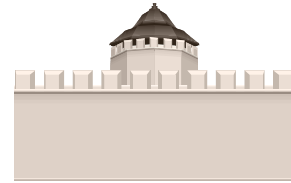


Sensitive

Balance Sheet

- Hold off on fixed asset expenditures
- Don't replace people after someone leaves
- Manage accounts receivables tighter
- Focus on controllable cost. Convert variable debt to fixed

FORTRESS BALANCE SHEET



- Use deferred revenue account
- Build & upgrade system & facilities. Use cash. Little return on cash in the bank. Hard assets cheaper now than in the future
- Ability to borrow and get low rates

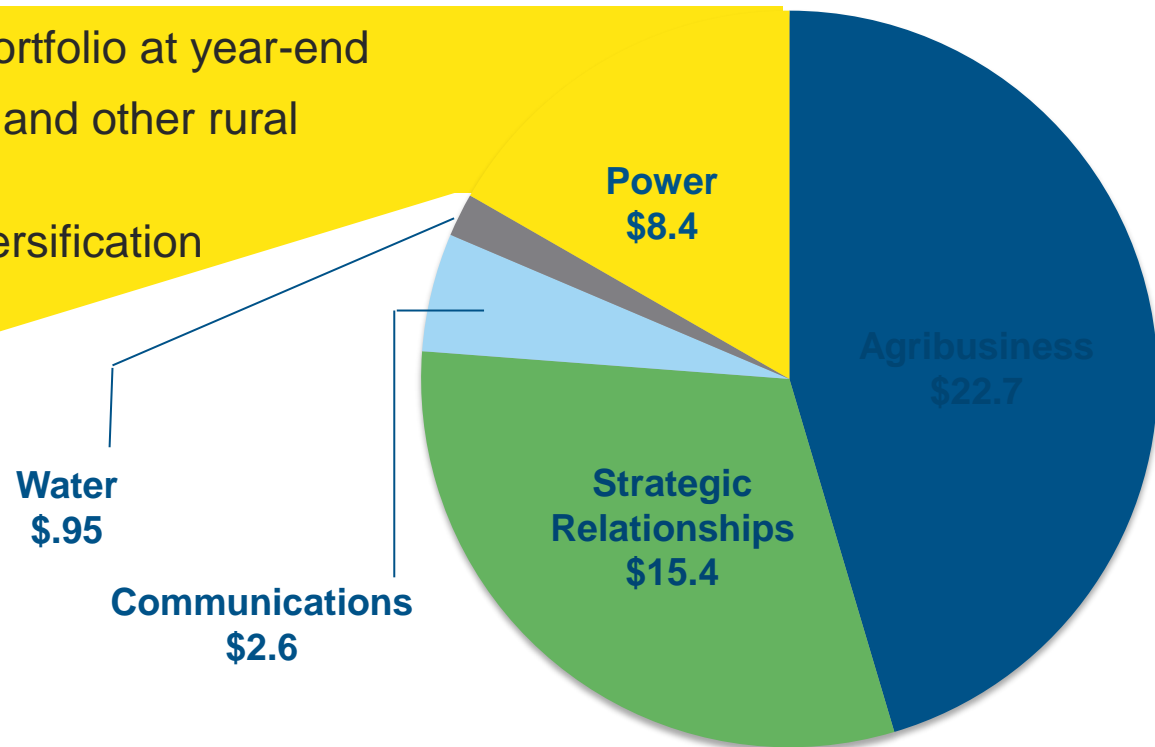
Outlook for CoBank





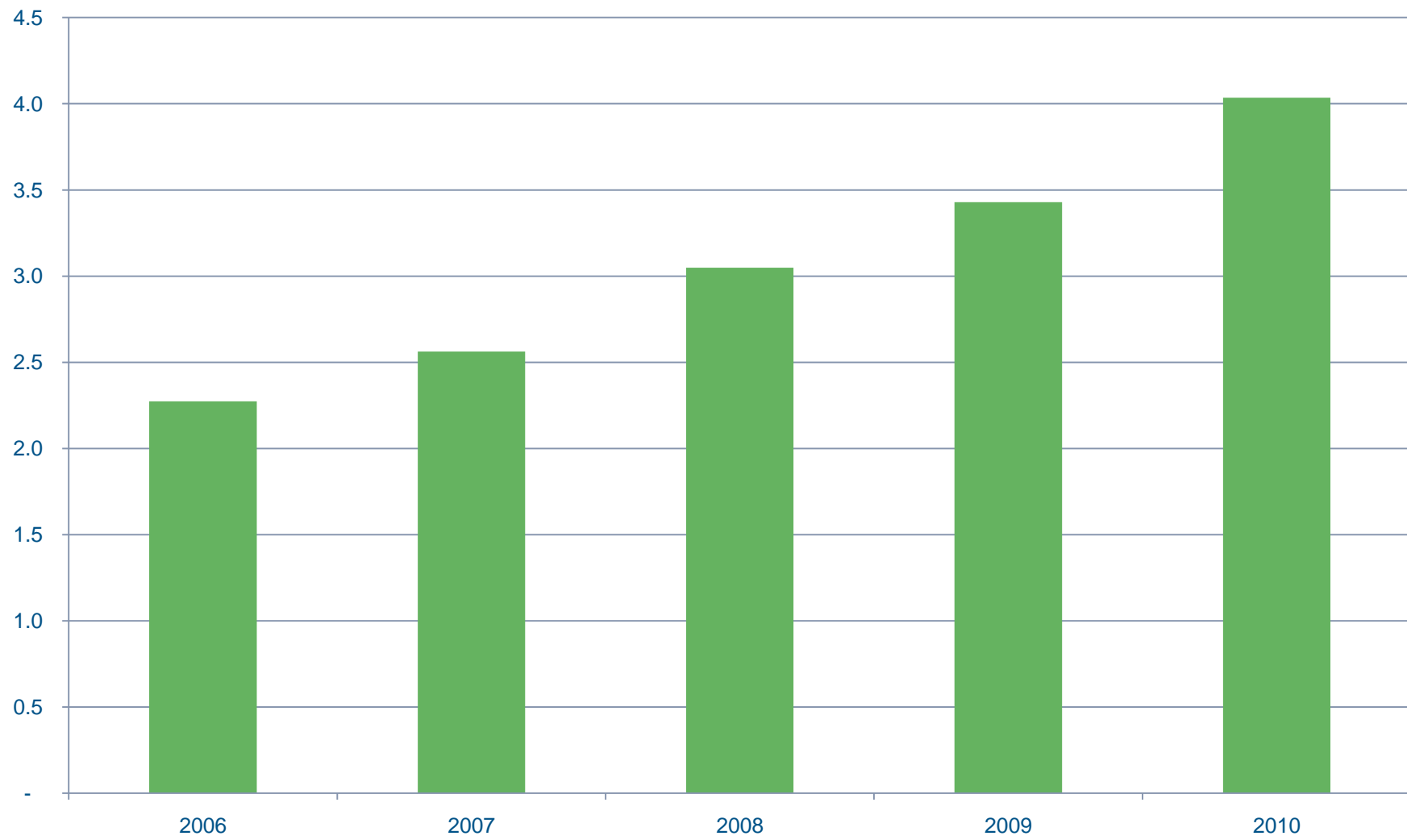
CoBank Year-End Loan Volume By Industry

- \$8.4 billion total portfolio at year-end
- Distribution, G&T, and other rural service providers
- Key source of diversification for CoBank



\$ in billions

Growth in Electric Distribution Lending



The Farm Credit System



Excellent access to funding

Solid financial performance : \$3.5 Bn
in net income in 2010.



Elevated political risk and GSE status.

Fulfilling a vital mission

Comparative Bank Ratings



Farm Credit System*	AA+	Aaa	AAA
CoBank	AA-	N/A	AA-
Royal Bank of Canada	AA-	Aa1	AA
HSBC (U.S.)	AA-	Aa2	AA
Wells Fargo	AA-	A1	AA-
JP Morgan Chase	A+	Aa3	AA-
Barclays	A+	A1	AA-
BMO	A+	Aa2	AA-
Bank of Tokyo Mitsubishi	A+	Aa2	A
U.S. Bancorp	A+	Aa3	AA-
Bank of America	A	A2	A+
Goldman Sachs	A	A1	A+
BB&T	A	A2	A+
NRUCFC	A	A2	N/A
Compass Bank	A	A3	A+
Citigroup	A	A3	A+
Morgan Stanley	A	A2	A
MetLife	A-	A3	A
SunTrust	BBB	Baa1	BBB+
Regions Bank	BBB-	Ba2	BBB-

*Based on Systemwide Debt Securities

The Long-Term View



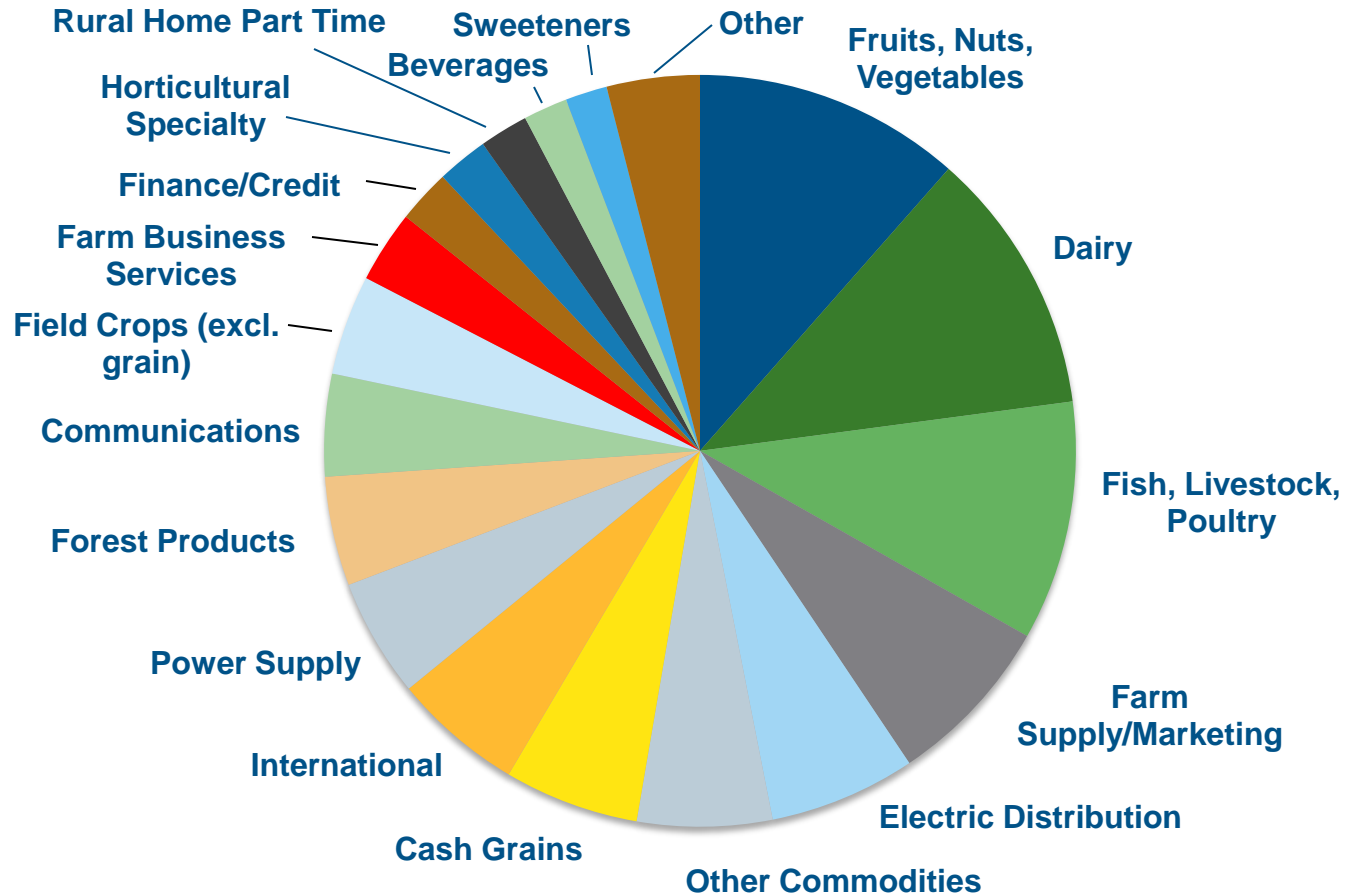


- **Member of the Farm Credit System based in Wichita, KS**
- **\$25 billion in assets for US AgBank.
\$66 billion for CoBank as of 12/31/10**
- **Wholesale provider of financing to 26 Farm Credit associations serving 50,000 farmers, ranchers and other rural borrowers in 11 states.**
- **Voting process underway.
Ballots counted on **September 7**.
Proposed effective date **January 1, 2011**.**

Merger Rationale – Diversification



Combined Bank's Loan Portfolio – By Industry



Merger Rationale



Combined bank will be a stable, profitable provider of financial services

Human capital and enhanced capacity to generate earnings and build capital

Strong, dependable cash patronage averaging 72 basis points

Continued focus on Rural American with customer at the center

Rural America: A Sustainable Competitive Advantage



Global population will reach 9 billion people by 2050, requires us to double the world's food production

Demand for high-quality agricultural products will continue to increase

Limited land available for increased production

U.S. remains the world leader in terms of food quality, efficiency, safety and nutritional value

Rural electric cooperatives are critical to maintaining the nation's sustainable competitive advantage



Energy Executive Forum
Colorado Springs
August 23-25, 2011



NRECA Regional Meeting
Minneapolis
CoBank Luncheon
September 15, 2011

Roll the [CoBank](#) video

