CoBank Equity Management

Tom Houser

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COBANK™

COOPERATIVE. CONNECTED. COMMITTED.

Proud Member of the Farm Credit System

CoBank Capital Plan

- Base Capital Plan (for Cooperatives)
- Target Stock Level = Range of 7 – 13 Percent
  - * [Present (and intended continued) Specific Level is 8 Percent]
- Stock Level Based on 10-year Average Loan Volumes* * [CoBank Held Portion]
- $-0- Borrowing = 11 Year Retirement

CoBank Patronage

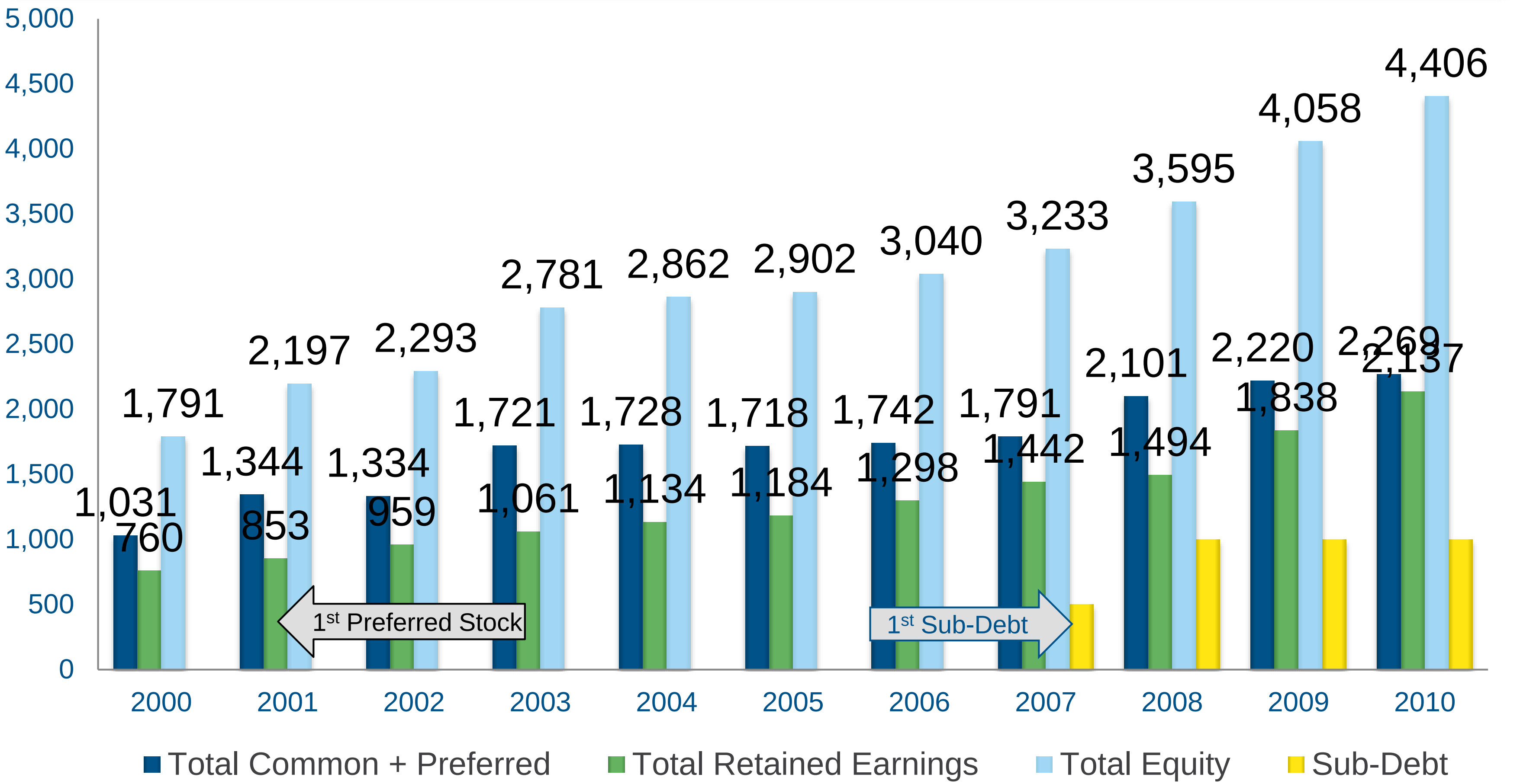
- Typically approx. 50% of earnings are patronage (vs. substantial non-patronage from Farm Credit Leasing, International, etc.)
- Allocate a total of100 basis points based on annual average CoBank-held loan balance outstanding
- 65 percent (65 bps) paid in cash
- 35 percent (35 bps) accumulated as equity

Non-Qualified Allocations

- Use Non-Quals based on regulatory requirements, in particular for “Core Surplus”
- Non-Quals represent a claim to the remaining patronage earnings
- No intent to retire; CoBank pays the tax
- Preferred to “default” claim for members / patrons that exist in the event of liquidation
- Subordinate Debt also “counts” for certain capital ratios

CoBank Equity Management

CoBank Balance Sheet – Stock vs. Retained



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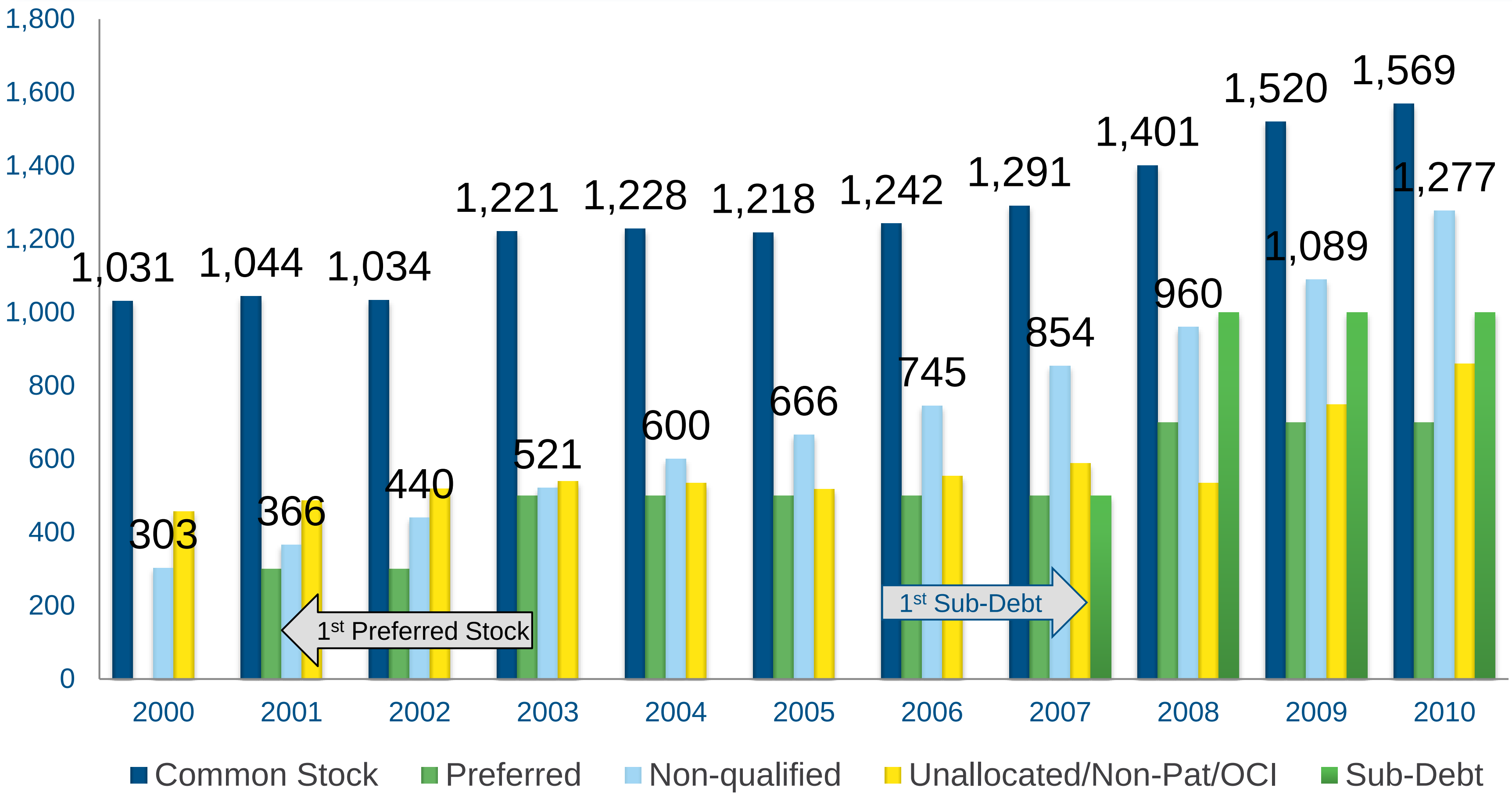
CoBank Balance Sheet – Equity Categories



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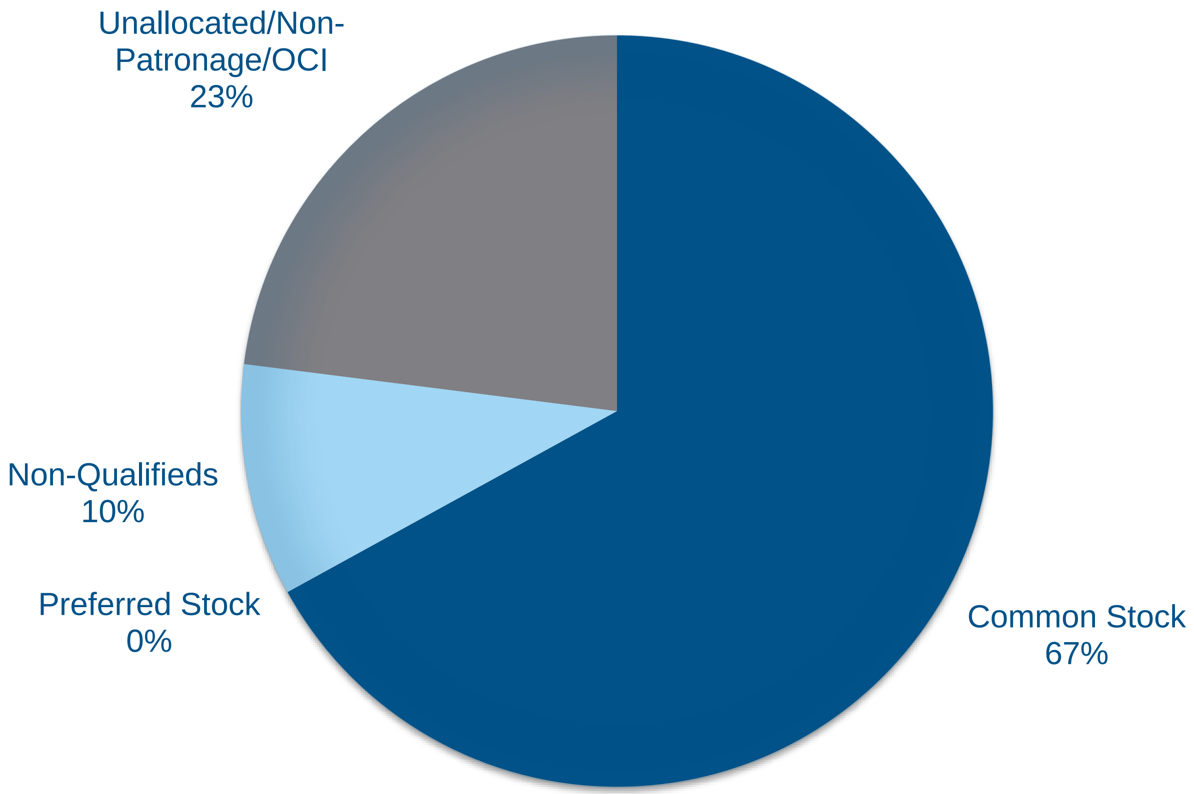
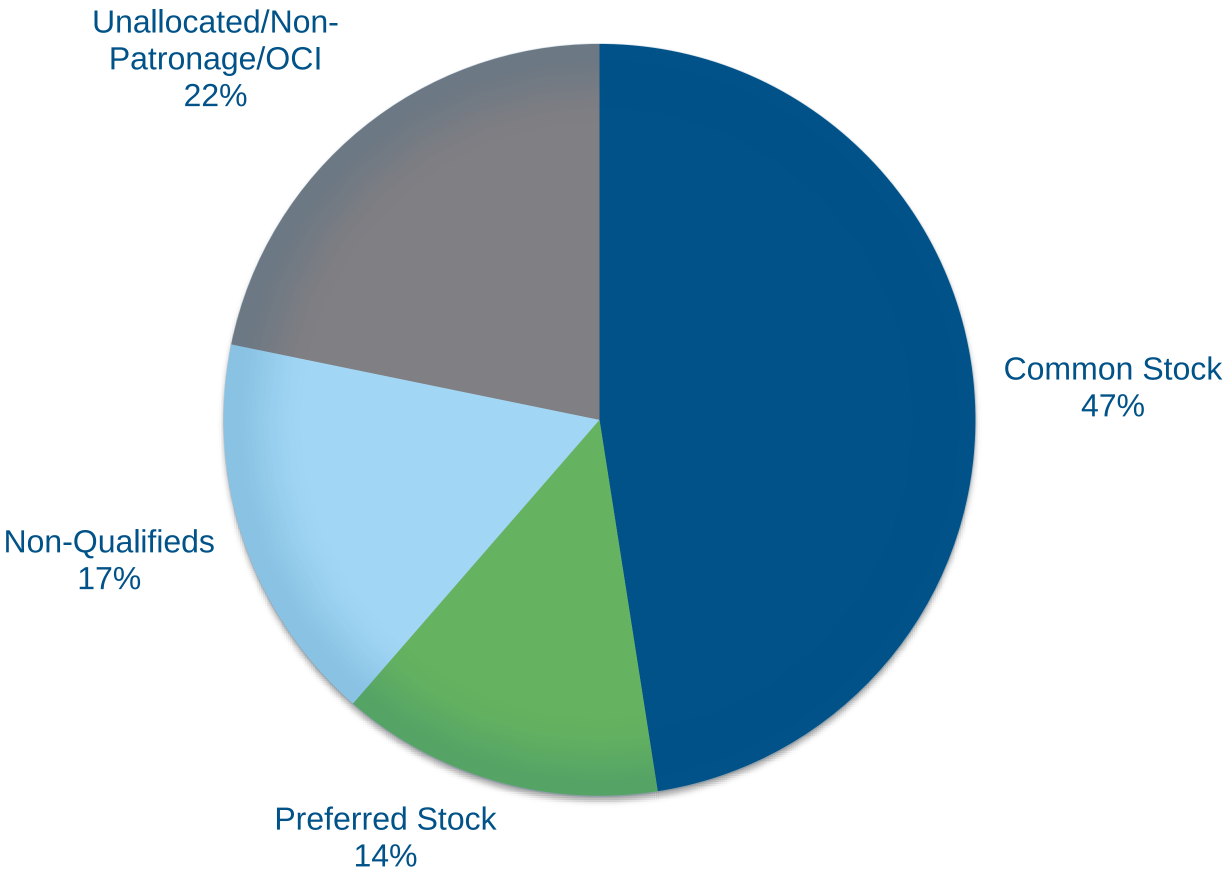
CoBank Balance Sheet

1995



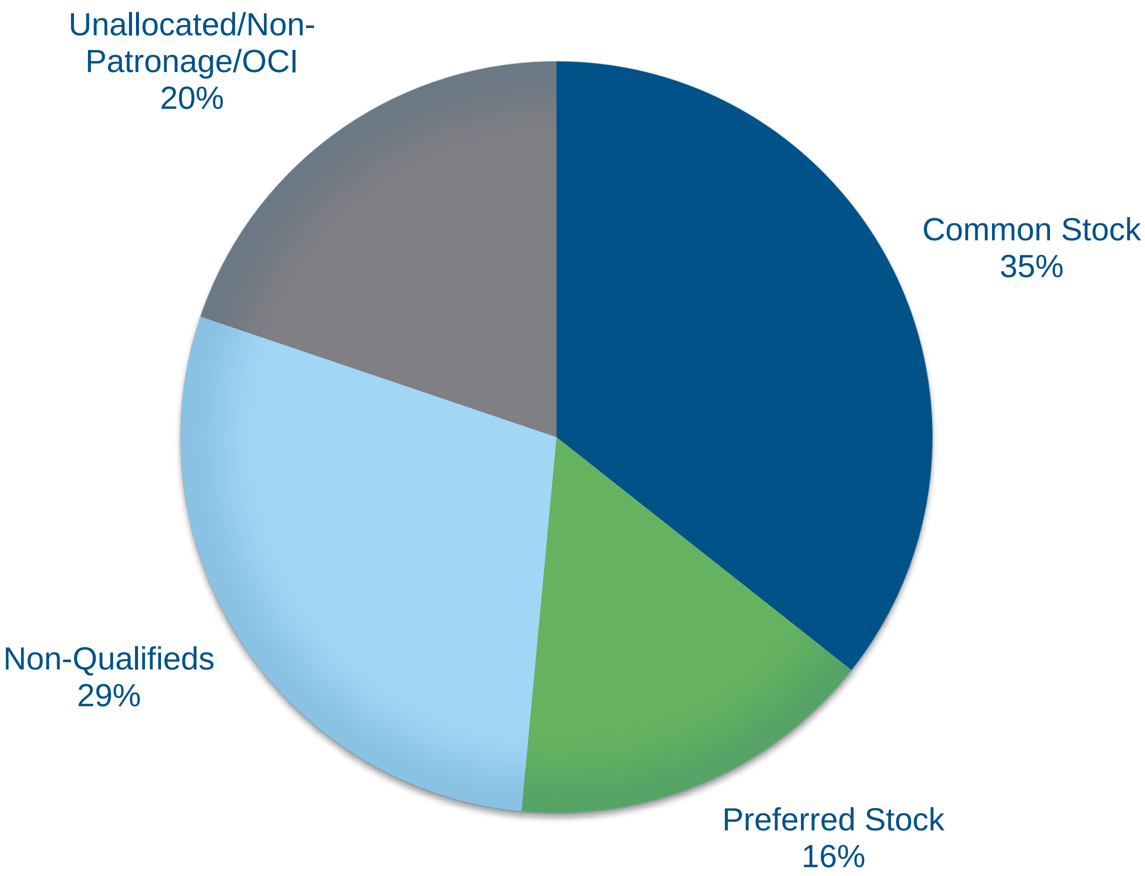
CoBank Balance Sheet

2001



CoBank Balance Sheet

2010



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CoBank vs. Co-ops use of Non-Quals

- CoBank's use of Non-Quals with no intent to retire is driven by regulatory considerations
- Seeing increased use of Non-Quals by cooperatives in the Midwest
- Tax benefits to members/customers
- Means to change from by age to by allocation-year revolvement
- Often combined with changes to Qualified Allocations – annual cash dividends paid