



## NEWS RELEASE

### COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

*Net Earnings Increase 7% To \$159.9 Million*

**DENVER (May 5, 2009)** — CoBank, a leading cooperative bank serving agribusinesses and rural utilities throughout the United States, today announced financial results for the first quarter of 2009, reporting growth in net earnings and continuing solid levels of capital and liquidity. As expected, credit quality in the bank's loan and lease portfolio declined moderately from year-end but remained in line with historical averages.

Net earnings in the first three months of the year increased 7 percent to \$159.9 million, compared to \$149.6 million for the same period last year. Net interest income rose 16 percent to \$253.3 million, up from \$217.7 million for the first quarter of 2008. Total loans and leases for CoBank were \$45.7 billion as of March 31, 2009, compared to \$44.6 billion at year-end 2008.

"We're pleased to report another period of strong financial performance for CoBank despite challenging conditions in the credit markets and the broader global economy," said Robert B. Engel, president and chief executive officer. "CoBank and its customers are not immune from the impacts of the recession, but our bank remains well positioned to deliver on its value proposition and to continue serving as a stable and dependable source of credit to vital industries throughout rural America."

Improved margins were a key driver of financial performance in the quarter compared to the same quarter last year, offsetting lower average loan volumes in the CoBank business units that serve agribusiness. Agribusiness lending declined markedly due to the substantial drop in prices for grains and farm inputs from 2008's record levels. At the same time, the bank experienced robust year-over-year growth in U.S.-government-guaranteed loans that support American agricultural exports, in loans to electric distribution and generation and transmission customers, and in loans and participations to affiliated associations and other partners across the Farm Credit System.

"The overall diversification of the bank's loan and lease portfolio continues to increase," Engel said. "That diversification has contributed to our ability to deliver continued net earnings growth amid a sharply lower pricing environment for ag commodities."

At quarter end, 96.5 percent of the bank's loan and lease portfolio was classified in the highest regulatory category used to grade creditworthiness, compared with 97.2 percent at December 31, 2008. The decline was attributable to stresses in a number of the industries CoBank serves, including livestock/poultry, ethanol, dairy, and communications. Nonaccrual loans and leases increased to \$290.2 million as of March 31, 2009, compared to \$217.8 million at year-end. Additionally, CoBank recorded a \$20 million provision for credit losses in the first three months of 2009, compared to no provision for credit losses during the first quarter of 2008.

"We continue to be prudent and disciplined in our approach to loss reserves," said Brian P. Jackson, CoBank's chief financial and administrative officer. "CoBank's reserve for credit exposure now totals

almost \$475 million, or 1.75 percent of non-guaranteed loans and leases outstanding when loans to Farm Credit associations are excluded. That reserve provides the bank and its shareholders with a substantial cushion in the event that credit quality levels experience further declines.”

Capital and liquidity levels at the bank remain well in excess of regulatory minimums. At quarter end, the bank’s liquidity totaled approximately \$15.1 billion in cash and investments. The bank averaged 264 days of liquidity during the quarter, compared with the 90-day minimum established by the Farm Credit Administration, the bank’s regulator. “We plan to maintain elevated levels of liquidity as long as the credit crisis persists, and until funding access and flexibility return to levels more consistent with historic norms,” Jackson said.

Engel noted that the bank benefited during the last quarter from a reduction in short-term market interest rates resulting from actions taken by the world’s central banks to counter impacts of the credit crisis, which had a positive overall effect on the bank’s margins due to its balance sheet positioning. “There is no guarantee that short-term rates will persist at historically low levels for the long term,” Engel said. “Furthermore, our funding costs for longer-dated debt instruments have increased substantially, and access to long-term funding remains reduced.”

“That said, we are proud of the consistently solid financial results we’ve been able to deliver throughout this extraordinary period in our nation’s economic history,” Engel said. “We continue to believe that CoBank’s value proposition – capacity, dependability, responsiveness, focus and ownership – is more compelling than ever for our customers. We remain committed to fulfilling our mission to serve their borrowing needs while preserving CoBank’s foundation of financial strength and stability for the long term.”

### **About CoBank**

CoBank is a \$63 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.

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](http://www.cobank.com).

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

**BALANCE SHEET INFORMATION**

	March 31, 2009	December 31, 2008
	(Unaudited)	
Loans and leases	\$ 45,733	\$ 44,550
Less: Allowance for credit losses	335	329
Net loans and leases	<u>45,398</u>	<u>44,221</u>
Investment securities	12,569	11,537
Cash, federal funds sold, securities purchased under resale agreements and other	2,535	3,132
Accrued interest receivable and other assets	629	597
Interest rate swaps and other financial instruments	<u>1,553</u>	<u>1,675</u>
Total assets	<u><u>\$ 62,684</u></u>	<u><u>\$ 61,162</u></u>
Bonds and notes	\$ 56,888	\$ 55,365
Subordinated debt	1,000	1,000
Accrued interest payable and other liabilities	809	907
Interest rate swaps and other financial instruments	123	141
Reserve for unfunded commitments	<u>140</u>	<u>154</u>
Total liabilities	58,960	57,567
Shareholders' equity	<u>3,724</u>	<u>3,595</u>
Total liabilities and shareholders' equity	<u><u>\$ 62,684</u></u>	<u><u>\$ 61,162</u></u>

**STATEMENT OF INCOME INFORMATION**

For the three months ended March 31,	2009	2008
	(Unaudited)	
Interest income	\$ 475	\$ 736
Interest expense	222	518
Net interest income	<u>253</u>	<u>218</u>
Provision for credit losses	<u>20</u>	<u>-</u>
Net interest income after provision for credit losses	233	218
Noninterest income	23	19
Noninterest expenses	51	47
Provision for income taxes	<u>45</u>	<u>40</u>
Net income	<u><u>\$ 160</u></u>	<u><u>\$ 150</u></u>