

## 2008 Quarterly Report

### MARCH 31, 2008

Dear COBANK Customer-Owner:

We're pleased to report that COBANK recorded another quarter of exceptional financial performance in the first three months of 2008.

Net earnings rose 45 percent to \$149.6 million, compared with \$103.5 million for the same period in 2007. Net interest income rose 36 percent to \$217.7 million, from \$159.5 million the year before. Total loans and leases outstanding for COBANK increased to \$46.8 billion at March 31, 2008, compared to \$40.5 billion at year-end 2007.

Higher commodity prices for grain and oilseeds were a primary driver of loan growth and earnings for the quarter. While all of the bank's lending units saw a rise in average loan volume, the most significant increases were in loans to agribusiness customers serving the grain and oilseeds markets. Increased prices and demand for farm supplies were also important factors.

We continue to serve our agribusiness customers during what are extraordinary conditions in U.S. agricultural markets. Since its formation, COBANK has established itself as a trusted financial partner to the nation's grain cooperatives and other agribusinesses in virtually every key sector of the American farm economy. Today, those deep relationships are proving to be a significant source of value for our customer-owners throughout the country. In addition, we continue to provide a dependable supply of capital to our communications, energy and water customers, who are investing in vital infrastructure across rural America.

Overall credit quality remained strong during the quarter, with 98.7 percent of the bank's loan and lease portfolio in the two highest categories used to classify creditworthiness. These levels are above historic norms and reflect the generally robust market conditions in agriculture and the other industries we serve. Over time, we believe credit quality will likely decline toward more traditional levels. In volatile markets, we believe our credit- and risk-management programs will continue to serve as a key competitive advantage for COBANK, ensuring that risk levels remain appropriate on an enterprise-wide basis.

Capital levels at the bank remain well in excess of all regulatory minimums. As previously announced, the bank successfully issued \$500 million of subordinated debt in April. Earlier this year, COBANK shareholders also authorized the bank to issue up to \$250 million in aggregate of Series C non-cumulative preferred stock in 2008 or 2009. Although we have not yet issued new preferred stock, we continue to manage our capital strategy carefully in order to leverage institutional investor interest in COBANK securities on behalf of our customer-owners.

During the quarter, COBANK made patronage distributions of cash and stock totaling \$245 million, almost 27 percent higher than in the prior year. Our 2007 patronage represented a 21 percent return on average invested capital for active borrowers. More importantly, it underscored the strength of our cooperative structure and the important ownership benefits that accrue to COBANK's customers.

Our restructured Board of Directors is now in place, with a modified committee structure that we believe exemplifies leading practices in governance for the banking industry. Our Board and executive team continue to work exceptionally well together and are committed to maintaining and building COBANK's leadership position as one of the premier financial services institutions serving lifeline businesses in rural America.

As always, we are deeply grateful for the business of our customer-owners and the enormous trust you place in COBANK. We thank you for your ongoing support and look forward to reporting to you on our future progress.

Everett Dobrinski  
Chairman of the Board

Robert B. Engel  
President and Chief Executive Officer

May 2, 2008

# Financial Highlights

CoBANK, ACB

*\$ in thousands*

	March 31, 2008 <i>(Unaudited)</i>	December 31, 2007
Total Loans and Leases	\$ 46,841,469	\$ 40,491,486
Less: Allowance for Credit Losses	446,376	447,226
Net Loans and Leases	\$ 46,395,093	\$ 40,044,260
Total Assets	\$ 59,155,444	\$ 52,188,896
Total Shareholders' Equity	3,240,405	3,233,424

<i>For the Three Months Ended March 31, (Unaudited)</i>	2008	2007
Net Interest Income	\$ 217,693	\$ 159,512
Provision for Credit Losses	-	-
Net Fee Income	14,102	11,042
Net Income	149,560	103,494
Net Interest Margin	1.55%	1.51%
Return on Average Assets	1.05	0.97
Return on Average Common Shareholders' Equity	20.18	15.10
Return on Average Total Shareholders' Equity	18.21	13.86
Average Loans and Leases	\$ 45,560,960	\$ 34,885,175
Average Earning Assets	56,535,746	42,934,928
Average Assets	57,434,780	43,088,575

# Management's Discussion and Analysis of Financial Condition and Results of Operations

COBANK, ACB

## Business Overview

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COBANK, ACB (COBANK or the Bank) is an Agricultural Credit Bank and is one of the five banks of the Farm Credit System (System), a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. We are cooperatively owned by our U.S. customers, who consist of agricultural cooperatives, rural energy, communications and water companies, farmer-owned financial institutions, including Agricultural Credit Associations (Associations), and other businesses that serve rural America. We provide a diversified range of financial solutions domestically and internationally to lifeline businesses through four operating segments: Agribusiness Banking Group, Strategic Relationships Division, Communications and Energy Banking Group, and Global Financial Services Group.

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated quarterly financial statements and related notes and with our 2007 Annual Report to Shareholders.

## Consolidated Results of Operations

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Net income was \$149.6 million for the three months ended March 31, 2008, a 45 percent increase over net income of \$103.5 million during the same period in 2007. Increased earnings were driven by a \$58.2 million increase in net interest income largely resulting from strong loan growth across all of our operating segments. The increase in net interest income was partially offset by increased income tax expense of \$12.4 million and increased noninterest expenses of \$5.7 million.

Our net interest income increased to \$217.7 million for the three months ended March 31, 2008, compared to \$159.5 million for the same period in 2007. The significant growth in net interest income primarily resulted from a \$10.7 billion increase in average loan and lease volume. While all of our lending units experienced growth in average volume, the most significant volume increases were in loans to agribusiness customers, especially those serving grain and oilseeds markets where higher commodity prices led to greater customer loan demand. Increased prices and demand for farm inputs also contributed to agribusiness loan growth. Association-related loan volume increased due to growth in our participations in the direct loans of other System banks to certain of their affiliated Associations and to growth at our two largest affiliated Associations. Growth in our energy and communications portfolio is primarily the result of increased demand for financing from our electric distribution, water and communications customers. In addition, to continue to meet the liquidity requirements associated with loan growth, our average investment securities and highly-liquid holdings increased \$2.9 billion as compared to the prior year.

Our overall net interest margin for the three months ended March 31, 2008 increased to 1.55 percent from 1.51 percent during the same prior year period, reflecting the significant loan growth in our higher-margin loans. The favorable margin impact of growth in higher-margin loans was partially offset by the effects of higher leverage on our balance sheet, the increased lending to Associations and rural energy customers and the increase in our investment securities. The benefit on our net interest margin of noninterest-bearing financing (principally equity) was less in the first quarter of 2008 due to asset growth, which resulted in a decline in equity as a percentage of average earning assets. Investment securities as well as loans to our Association and rural energy customers carry lower margins commensurate with their lower risk profile and generally lower capital requirements.

Our overall credit quality remains strong and, as a result, we did not record a provision for credit losses for the three months ended March 31, 2008. Notwithstanding the overall strong credit quality, nonaccrual loans and leases increased to \$90.7 million at March 31, 2008 from a historically low level of \$14.8 million at December 31, 2007, largely due to credit concerns surrounding a limited number of our agribusiness customers. Our overall level of criticized assets also increased from \$1.2 billion at December 31, 2007 to \$1.6 billion at March 31, 2008. Net charge-offs for the three months ended March 31, 2008 were \$0.9 million compared to net recoveries of \$2.9 million for the same period in 2007. The charge-offs in 2008 primarily related to our agribusiness portfolio.

Noninterest income increased to \$18.7 million for the first three months of 2008, as compared to \$12.7 million for the same period in 2007, and is comprised primarily of net fee income, loan prepayment fee income and other gains and losses, reduced by losses on early extinguishments of debt. The increase in noninterest income resulted primarily from a \$3.1 million increase in fee income and a \$4.0 million increase in other income related to greater levels of patronage income from other System entities and customer derivative transactions. Prepayment income increased as compared to the prior year, generally due to the decline in interest rates, but was more than offset by losses on early extinguishments of debt.

Noninterest expenses increased to \$47.0 million for the three months ended March 31, 2008, as compared to \$41.4 million for the same period in 2007, including a \$3.2 million increase in mandated insurance fund premiums due to increased loan volume. Our mandated insurance fund premiums may increase in mid-2008 as a result of the proposed legislation described in "Insurance Premiums" on page 11. Our employee compensation costs increased \$1.8 million due to an increase in the number of employees, resulting from an exceptional level of loan demand from customers, and greater incentive compensation expense related to stronger business and financial results.

Our income tax expense increased to \$39.8 million for the three months ended March 31, 2008, as compared to \$27.3 million for the same prior year period. Increased tax expense is a direct result of the improvement in our pre-tax earnings. Our effective tax rate was 21.0 percent and 20.9 percent for the three months ended March 31, 2008, and 2007, respectively.

Our annualized return on average common shareholders' equity, a reflection of our overall earnings, increased significantly to 20.18 percent for the three months ended March 31, 2008, as compared to 15.10 percent for the same period in 2007. Our annualized return on average assets increased to 1.05 percent for the three months ended March 31, 2008, as compared to 0.97 percent for the same prior year period.

## **Operating Segment Financial Review**

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As an Agricultural Credit Bank, we provide domestic and international financial solutions to farmer-owned cooperatives; farmer-owned financial associations; energy, communications and water customers; and other related businesses. We conduct our lending and leasing operations through four operating segments: Agribusiness Banking Group (ABG), Strategic Relationships Division (SRD), Communications and Energy Banking Group (CEBG) and Global Financial Services Group (GFSG). Loans and leases outstanding, net of allowance for credit losses, by business segment at March 31, 2008 and 2007, are reported in Note 9 to the accompanying unaudited condensed consolidated financial statements.

Net interest income on investment securities, federal funds sold, securities purchased under resale agreements and other highly-liquid funds is allocated to all segments, whereas underlying investment assets are not allocated.

Net income by operating segment is summarized in the accompanying table and is more fully described in Note 9 to the accompanying unaudited condensed consolidated financial statements.

<b>Net Income by Operating Segment (\$ in Thousands)</b>			
For the Three Months Ended March 31,	2008		2007
Operating Segment:			
Agribusiness	\$	<b>82,810</b>	\$ 41,278
Strategic Relationships Division		<b>16,398</b>	13,601
Communications and Energy		<b>34,549</b>	36,024
Global Financial Services		<b>16,959</b>	13,113
Total Operating Segments		<b>150,716</b>	104,016
Corporate/Other		<b>(1,156)</b>	(522)
<b>Total</b>	<b>\$</b>	<b>149,560</b>	<b>\$ 103,494</b>

### ***Agribusiness Banking Group (ABG)***

ABG provides financial solutions to cooperatives and other agribusinesses engaged in agricultural activities, including grain handling, farm supply, food processing, dairy, livestock, fruits, nuts, vegetables, cotton, biofuels and agricultural finance. ABG includes Farm Credit Leasing Services Corporation (FCL), which provides lease-related financial services to Association partners, agribusinesses, agricultural producers and rural utilities.

ABG loans and leases outstanding increased to \$17.8 billion at March 31, 2008, a \$4.0 billion or 29 percent increase from \$13.8 billion at December 31, 2007. Average loan and lease volume during the first three months of 2008 were \$6.2 billion greater than the first three months of 2007, largely due to an increase in commodity prices and continued increases in the cost of farm inputs. Our agribusiness loan volume generally increases in the late fall of each year and peaks in the spring due to the financing of seasonal grain inventories. However, the first quarter 2008 increase was significantly higher than typically experienced due to the exceptional market conditions more fully discussed in the following paragraph. By comparison, total ABG loans and leases increased \$1.2 billion or 12 percent from year-end 2006 to March 31, 2007.

Over the past eighteen months, our agribusiness loan volume has increased as a result of higher financing demand from our farm supply and marketing customers who have seen significant increases and volatility in the demand and prices for their products. In particular, significant increases and volatility in prices for grain and oilseeds have resulted in customers requiring significant financing for margin calls on hedged grain and oilseeds contracts. In addition, the demand for and price of farm inputs (such as seed, fertilizer and fuel) and resulting impact on inventory financing requirements has similarly increased loan volume for this sector.

Nonaccrual loans in our ABG portfolio increased to \$39.6 million at March 31, 2008 from a historically low level of \$14.8 million at December 31, 2007. The increase primarily relates to credit challenges impacting a limited number of agribusiness customers which resulted in their loans being transferred to nonaccrual status in the first quarter of 2008.

ABG net income more than doubled in the first three months of 2008 to \$82.8 million from \$41.3 million for the same period in 2007. The increase resulted from a \$46.7 million increase in net interest income due to the significant increase in agribusiness loan volume, as described above. In addition, ABG did not record a provision for credit losses for the first three months of 2008, a result of continued strong credit quality and a low level of charge-offs. ABG's results for the first three months of 2007 included a \$15.0 million provision for credit losses. Higher noninterest expenses of \$3.6 million were largely the result of increased insurance fund premiums related to significant loan growth. ABG's income tax expense increased \$15.9 million due to the growth in its pre-tax earnings.

### ***Strategic Relationships Division (SRD)***

SRD manages the direct funding relationships with our affiliated Association customer-owners (Northwest Farm Credit Services, First Pioneer Farm Credit, Farm Credit of Western New York, Yankee Farm Credit and Farm Credit of Maine), as well as funding relationships with other System institutions. The SRD portfolio primarily consists of loans to our five affiliated Association customers as well as participations in loans made by other System banks to certain of their affiliated Associations.

SRD loans outstanding increased to \$12.8 billion at March 31, 2008 from \$12.2 billion as of December 31, 2007. Loan growth since year-end primarily reflects increased participations in loans made by other System banks to certain of their affiliated Associations. Average SRD loans grew to \$12.4 billion for the first three months of 2008 compared to \$9.9 billion in the comparable period of 2007. The increase in average loan volume reflects growth in the aforementioned participation loans as well as strong loan growth at our two largest affiliated Associations. The credit quality of the SRD loan portfolio is exceptionally high due to the financial and operating strength of the Associations and the quality and diversification of their loan portfolios. Lower margins in SRD are commensurate with this low-risk profile and lower capital requirements.

SRD net income increased 21 percent to \$16.4 million for the first three months of 2008 from \$13.6 million for the same prior year period. Improved SRD earnings are primarily the result of stronger net interest income, which grew \$2.0 million due to the \$2.5 billion increase in average loan volume described above. Noninterest income improved by \$1.1 million due to a greater level of patronage income from other System entities.

### ***Communications and Energy Banking Group (CEBG)***

CEBG provides financial solutions to companies in the energy, communications and water industries. Customers include rural electric generation and transmission cooperatives, electric distribution cooperatives, independent power producers, rural local exchange carriers, wireless providers, cable television systems, and water and waste water companies.

CEBG loans outstanding increased to \$9.3 billion at March 31, 2008 from \$8.7 billion at December 31, 2007. Average CEBG loans increased to \$8.9 billion in the first three months of 2008 from \$7.8 billion for the same period in 2007. Growth in CEBG's average loan volume resulted from increased lending activity in the rural electric distribution, water and communication sectors, driven in part by increased customer capital expenditures.

CEBG's credit quality remains strong as a result of our focus on lending to our core rural utility sectors. There were no CEBG nonaccrual loans at either March 31, 2008 or December 31, 2007.

CEBG net income decreased four percent to \$34.5 million for the first three months of 2008 from \$36.0 million for the same period in 2007. The decrease in earnings primarily relates to a \$15.0 million reversal of the allowance for credit losses for the three months ended March 31, 2007 as compared to no provision for credit losses in the 2008 period. CEBG's net interest income increased 17 percent to \$47.4 million for the first three months of 2008, from \$40.5 million for the same period in 2007, primarily due to the \$1.1 billion increase in average loan volume described above. Noninterest income improved \$2.8 million as a result of growth in fee income.

### ***Global Financial Services Group (GFSG)***

GFSG includes our Corporate Finance Division portfolio, consisting of loans to large food and agribusiness customers, and our International Division's lending portfolio. GFSG's International Division provides tailored short-term and medium-term trade services to support the export of U.S. agricultural products. The U.S. government-sponsored export guarantee General Sales Manager (GSM) program provides guarantees for a significant portion of the International Division's portfolio, resulting in a lower overall margin that is reflective of this low-risk portfolio. GFSG also provides capital markets and cash management products and services.

GFSG loans outstanding increased to \$6.9 billion at March 31, 2008, compared to \$5.8 billion at December 31, 2007. Our Corporate Finance Division portfolio balances increased to \$4.6 billion at March 31, 2008 from \$3.7 billion at December 31, 2007, primarily due to increased commodity prices. International Division loans outstanding were \$2.3 billion at March 31, 2008, compared to \$2.1 billion at December 31, 2007. The percentage of International Division loans outstanding granted under U.S. government-guaranteed export-lending programs was 59 percent as of March 31, 2008 and 61 percent as of December 31, 2007.

Nonaccrual loans, of which there were none at December 31, 2007, increased to \$50.0 million at March 31, 2008. This increase relates to a customer experiencing credit difficulties, due in part to the increased volatility of commodity prices.

GFSG net income increased 29 percent to \$17.0 million for the first three months of 2008, compared to \$13.1 million for the same period in 2007. The increase is primarily due to a \$2.6 million increase in net interest income resulting from the growth in average Corporate Finance Division loan volume which grew to \$4.4 billion for the three months ended March 31, 2008 from \$3.6 billion in the prior year period. A \$1.9 million increase in noninterest income, primarily due to greater fee income, also contributed to the growth in earnings.

## Credit Quality, Liquidity, Capital Resources and Other

### *Credit Quality*

Although nonaccrual loans and criticized assets increased in the first quarter, credit quality measurements as of March 31, 2008 continue to remain strong. Nonaccrual loans and leases increased to \$90.7 million at March 31, 2008 from \$14.8 million at December 31, 2007, primarily due to the aforementioned credit concerns impacting a limited number of our agribusiness customers. Our overall level of criticized assets also increased from \$1.2 billion at December 31, 2007 to \$1.6 billion at March 31, 2008. The following table presents loans and related accrued interest receivable classified pursuant to our regulator's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable.

#### Asset Quality Ratios

	March 31, 2008	December 31, 2007
Acceptable	<b>96.68%</b>	97.00%
Other Assets Especially Mentioned	<b>1.97</b>	1.61
Substandard	<b>1.32</b>	1.38
Doubtful	<b>0.03</b>	0.01
Loss	-	-
<b>Total</b>	<b>100.00%</b>	100.00%

As a result of our strong overall credit quality, we did not record a provision for credit losses for the three months ended March 31, 2008. Net charge-offs for the first three months of 2008 totaled \$0.8 million and were primarily associated with our agribusiness portfolio.

Our strong levels of credit quality exceed historical levels and reflect the current financial strength of our borrowers and overall favorable market conditions. While the Bank and the System currently enjoy strong credit quality, agriculture remains a cyclical business and is subject to a variety of economic factors, including volatile commodity prices. Agricultural economic conditions may not be as favorable in the future.

During the first quarter of 2008, we initiated a project to evaluate our methodology for determining the allowance for credit losses and to consider refinements to the process. Our evaluation will focus on more closely aligning the allowance process with our economic capital process while ensuring there remains a high level of correlation between the allowance and the risk profile of the Bank's loan and finance lease portfolio. We expect to complete our evaluation later this year with any appropriate changes to the allowance implemented and recorded at that time. The completion of this evaluation could result in a reduction to our allowance for credit losses, and the adjustment may be material.

### ***Liquidity and Investments***

Our liquidity management objectives are designed to meet maturing debt obligations, provide a reliable source of funding to borrowers, and fund our operations on a cost-effective basis. We believe that sufficient resources are available to meet liquidity management objectives through the Bank's debt maturity structure, holdings of liquid assets, and access to the agency market via the Federal Farm Credit Banks Funding Corporation. At March 31, 2008, our liquidity was 174 days, compared to 164 days at December 31, 2007. During the first three months of 2008, we averaged 146 days liquidity, compared to our target of 180 days.

Investment securities, federal funds sold, securities purchased under resale agreements and other highly-liquid funds are primarily held for the purposes of maintaining a liquidity reserve and managing short-term surplus funds. Investment securities are reported at estimated fair value and include unrealized losses, net of deferred taxes, of \$67.0 million at March 31, 2008, compared to \$21.7 million at December 31, 2007. While unrealized losses generally result from changes in market interest rates, such losses have increased in recent months due to illiquidity in the broader financial markets. We have the ability and intent to hold our investment securities until maturity or such time as the value recovers, and thus, we do not consider these investments to be other-than-temporarily impaired at March 31, 2008 or December 31, 2007. Changes in the fair value of these investments are accounted for as a component of accumulated other comprehensive income (loss). We recorded unrealized losses, net of deferred taxes, of \$45.3 million for the three months ended March 31, 2008 compared to unrealized gains, net of deferred taxes, of \$12.6 million for the same period of 2007. While our average investment securities in the first quarter of 2008 increased \$2.8 billion compared to the same period a year ago, our investment securities at March 31, 2008 of \$10.4 billion remained relatively unchanged from December 31, 2007.

At March 31, 2008, the market value of our investment portfolio was \$10.4 billion, of which 86 percent, or \$9.0 billion, consisted of investments issued by AAA-rated government sponsored enterprises or are otherwise guaranteed by the Government National Mortgage Association (Ginnie Mae) which carry the full faith and credit guarantee of the U.S. government. Unrealized losses on such investments were \$36.7 million at March 31, 2008. Approximately \$1.1 billion, or 11 percent, of our investment portfolio represents investments in AAA-rated, non-agency mortgage-backed securities with unrealized losses of \$44.0 million at March 31, 2008. The remaining \$361.3 million, or 3 percent, of our investment portfolio represents asset-backed securities.

The \$361.3 million of asset-backed securities at March 31, 2008 included a face amount of \$352.0 million of home equity asset-backed securities with a market value of \$324.6 million at March 31, 2008. As noted previously, unrealized losses on our investment securities are recorded as a component of other comprehensive income (loss). These home equity asset-backed securities are supported by first- and second-lien mortgages and, with the exception of one security described below, are rated AAA by the major credit rating agencies, with \$310.1 million (\$283.7 million market value) of them insured by highly-rated bond insurance companies. These insurance contracts would be expected to support the insured investments should the underlying mortgage loans fail to perform. One investment security with a \$10.9 million book value as of March 31, 2008 (\$6.9 million market value) was downgraded to A1 by Moody's Investors Service and A- by Standard & Poor's Ratings Services in the first quarter of 2008 as a result of the insurer's rating being downgraded to A3 and A-. Based on the current performance of the underlying collateral, our stress-testing of its performance, and credit enhancements embedded in the security, we continue to expect to recover all of the principal and interest on this security. As a result of this downgrade, we have submitted a plan for approval by our regulator requesting permission to continue to hold the security in order to minimize or avoid a financial loss; however, there is no assurance that we will be able to obtain such permission and we may be required by our regulator to dispose of the security by the end of August 2008.

The \$41.9 million (\$40.9 million market value) of home equity asset-backed securities not insured by bond insurance companies are AAA-rated and backed by first-lien mortgages originated prior to 2006. Included in this amount is \$12.8 million of securities with an average credit score of less than 660 at origination.

Due to the economic conditions currently affecting the residential mortgage market, the Bank has reviewed and stress-tested all home equity asset-backed securities. Based upon this review, we believe these investment securities do not pose a significant risk of loss given the credit enhancements in place, our senior position in receiving cash flows and, where applicable, the credit support provided by highly-rated bond insurers. However, in the event investment securities are downgraded by all of the major credit rating agencies, we may be required by our regulator to dispose of these securities unless an alternative plan is approved (see related discussion above). We are closely monitoring market and credit conditions affecting all of our home equity asset-backed securities, all of which are classified as “available-for-sale,” and have recorded unrealized losses of \$27.4 million through March 31, 2008.

### ***Capital Resources***

We are primarily capitalized by holders of our common stock and participation certifications, which include our Association customers, by our preferred stockholders, and unallocated retained earnings. As described in our 2007 Annual Report to Shareholders, the exceptional levels of loan growth the Bank has experienced have reduced our regulatory capital ratios. While such ratios remain in excess of applicable regulatory minimums, the Board of Directors and the Bank’s shareholders have taken a number of steps to increase the overall capital levels for the Bank. In March 2008, our shareholders approved a bylaw amendment, increasing the authorized amount of preferred stock the Bank may have outstanding from \$500 million to \$1.0 billion. The stockholders also approved the issuance of up to \$250 million in aggregate of Series C non-cumulative perpetual preferred stock prior to the end of 2009, subject to final review by the Bank’s regulator. Any future issuance of capital will depend on a number of factors, including existing and projected capital levels, future loan demand, ongoing retention of earnings and issuance conditions in the capital markets.

In addition, the Board approved an issuance of subordinated debt and, on April 18, 2008, we issued \$500 million of 7.875 percent fixed rate unsecured subordinated notes due 2018 to increase the Bank’s regulatory permanent capital and total surplus levels and for general corporate purposes. This issuance, together with the \$500 million of floating rate subordinated debt issued in 2007, increases our total subordinated debt outstanding to \$1.0 billion as of the end of April 2008. This debt is subordinate to all other categories of creditors, including general creditors, and is senior to all classes of shareholders. For regulatory capital purposes, subject to certain limitations, subordinated debt is included in permanent capital and total surplus and excluded from liabilities in the net collateral ratio.

Our permanent capital ratio (generally average shareholders’ equity and subordinated debt subject to certain limitations as a percentage of average risk-adjusted assets for the most recent three months) was 10.27 percent at March 31, 2008, compared to 12.14 percent at December 31, 2007, both of which exceeded the 7.0 percent minimum regulatory requirement. As a result of the April 2008 subordinated debt issuance, we expect our permanent capital ratio to increase by approximately 80 basis points in the second quarter of 2008.

Our core surplus ratio (average unallocated retained earnings and other components of equity as allowed by the FCA as a percentage of average risk-adjusted assets for the most recent three months) was 5.78 percent at March 31, 2008, compared to 4.94 percent at December 31, 2007, both of which exceeded the 3.5 percent minimum regulatory requirement. Effective January 1, 2008, the FCA determined that we may include a significant portion of our common stock and participation certificates as core surplus, subject to certain conditions, on a temporary basis that would likely continue until the earlier of December 31, 2012 or when the FCA changes its capital regulations in a manner that would be inconsistent with this treatment. As a result of this action, our core surplus ratio increased by approximately 165 basis points for the three months ended March 31, 2008. As part of its determination, the FCA requires that we continue to calculate our core surplus ratio excluding common stock and participation certificates and has established a 3.0 percent minimum for such ratio. As of March 31, 2008, our core surplus ratio excluding common stock and participation certificates was 4.13 percent.

Our net collateral ratio (eligible assets divided by total liabilities excluding subordinated debt and other items, subject to certain limitations) at March 31, 2008 was 106.5 percent, compared to 107.1 percent at December 31, 2007, both of which exceeded the regulatory minimum of 103.0 percent and the higher minimum of 104.0 percent required by our regulator during the period in which we have Series A Preferred Stock or subordinated debt outstanding.

We complied with all regulatory capital adequacy standards at March 31, 2008.

### ***Interest Rate Risk Management***

Interest rate risk is managed by adjusting the Bank's mix of interest-sensitive assets and liabilities through various interest rate risk management products, including interest rate swaps and other financial instruments (derivatives). Derivatives are recorded at fair value as assets or liabilities on the condensed consolidated balance sheets. Changes in the fair value of these derivatives are accounted for as gains or losses through current period earnings or as a component of accumulated other comprehensive income (loss), depending on the use of the derivatives and whether they qualify for hedge accounting treatment. Changes in the fair value of derivatives recorded in the condensed consolidated statements of income totaled a gain of \$0.1 million and a loss of \$0.8 million in the first three months of 2008 and 2007, respectively. Changes in the fair value of derivatives recorded in other comprehensive income (loss) totaled \$3.5 million in gains, net of deferred taxes, for the first three months of 2008, compared to \$1.6 million in losses, net of deferred taxes, for the first three months of 2007.

### ***Insurance Premiums***

In July 2007, the House of Representatives passed its version of a new farm bill – the Farm, Nutrition and Bioenergy Act of 2007. In December 2007, the Senate passed its version of the farm bill – the Food and Energy Security Act of 2007. The two farm bills as passed contain provisions that would expand certain authorities of the Farm Credit System Insurance Corporation (Insurance Corporation). The proposed changes generally would authorize the Insurance Corporation to collect higher levels of premiums and expand the base upon which premiums are charged. Premiums of up to 20 basis points could be assessed on Systemwide debt securities reduced by loans and investment securities guaranteed by the U.S. government. Premiums of up to an additional 10 basis points could be assessed on loan volume that is nonaccrual or investments that are other-than-temporarily impaired. Currently, premiums may only be assessed on loan volume (up to 15 basis points on accruing loans and 25 basis points on nonaccrual loans). If the farm bill is approved as currently written, our insurance fund premiums would increase by approximately 40 percent.

## Recent Accounting Pronouncements

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In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (FAS 161). FAS 161 is intended to enhance the current disclosure framework of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133). It requires disclosure about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under FAS 133; and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of FAS 161 is not expected to have a material effect on our financial position, results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefits (FAS 158). FAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income (loss), a component of shareholders' equity. We adopted these recognition requirements as of December 31, 2007 and the effects were reflected in our audited financial statements as of that date. FAS 158 also requires the measurement date for plan assets and liabilities to coincide with the employer's fiscal year-end. This requirement is effective for fiscal years ending after December 15, 2008. See Note 5 to the accompanying unaudited condensed consolidated financial statements for a description of the effect of the adoption of the change in measurement date requirement.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, the Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115 (FAS 159). FAS 159 permits entities to choose on an instrument-by-instrument basis, at specified election dates, to measure financial assets and liabilities and certain other items at fair value (the "fair value option"). Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. FAS 159 did not have any effect on our financial position, results of operations or cash flows as we did not elect the fair value option for any of our assets or liabilities during the period ended March 31, 2008; however, we may elect to do so in the future.

Effective January 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. See Notes 2 and 4 to the accompanying unaudited condensed consolidated financial statements for a description of FAS 157 and the effect of its adoption.

## Business Outlook

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Our Board of Directors and management are committed to continuing our strong financial and operating performance, fulfilling our mission as Rural America's Cooperative Bank serving America's lifeline businesses and being the preferred provider of financial solutions to our customers to enhance their business success.

To a large degree, our ability and the System's ability to access the capital markets is linked to the confidence investors have in our system of controls and governance processes. We are committed to proactively evaluating and enhancing our own governance and disclosure practices. While the Sarbanes-Oxley Act of 2002 does not apply directly to us, COBANK has voluntarily adopted policies and procedures that mirror its material provisions to the extent they are not inconsistent with our cooperative structure. We continually evaluate our internal controls and governance to ensure the use of leading practices.

Our future growth and diversification will be achieved by delivering on our value proposition, creating opportunities to partner with other System institutions, increasing market share, improving competitiveness, optimizing current lending authorities and pursuing various strategic alliances with other financial services organizations.

We will enhance our solid financial condition through the continuation of strong earnings, expense discipline, effective risk management, increased shareholders' equity through the retention of a portion of our earnings and issuance of third-party capital as needed. We will continue to assess our overall capital position in light of projected loan growth and will take the steps necessary to ensure that our capital levels remain adequate. Although we believe our overall portfolio credit quality will continue to be strong, we expect it will likely decline toward less favorable levels. We will continue to closely monitor asset quality and emphasize effective management of credit risk, interest rate risk, liquidity risk and operational risk.

## Forward-Looking Statements

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Certain of the statements contained in this unaudited quarterly report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Our actual results may differ materially from those included in the forward-looking statements that relate to our plans, projections, expectations and intentions. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "estimate," "plan," "project," "may," "will," "should," "would," "could" or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized. These forward-looking statements are based on current knowledge and are subject to various risks and uncertainties, including, but not limited to: fluctuations in the agricultural, communications, energy and water, international, financing and leasing sectors; weak U.S. and global economic conditions; sovereign or regulatory actions; macro-economic factors and political policies and developments in the U.S. and other countries in which we make loans; the level of interest rates; changes in assumptions underlying the valuations of financial instruments; changes in the bases for our estimates underlying the allowance for credit losses; economic conditions and credit performance of the loan and lease portfolios, portfolio growth and seasonal factors; failure of our investment portfolio to perform as expected or deterioration in the credit quality of such investments, including the credit quality of insurers of such investments; the effect of banking and financial services reforms; possible amendments to, and interpretations of, risk-based capital guidelines and reporting instructions; the ability of states to adopt more extensive consumer protections through legislation or regulation; the resolution of legal proceedings and related matters; changes in the U.S. government's support of the agriculture industry; weather-related conditions which periodically occur that impact agricultural productivity and income; environmental-related conditions or laws impacting our lending activities; actions taken by the U.S. Congress relative to Government Sponsored Enterprises; actions taken by the Federal Reserve in managing the monetary policy of the U.S.; nonperformance by counterparties to our derivative positions; and our ability to successfully integrate and profitably operate any future business combinations or strategic alliances. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

# Condensed Consolidated Statements of Income

COBANK, ACB

*\$ in thousands*

For the Three Months Ended March 31, (Unaudited)	2008	2007
<b>Interest Income</b>		
Loans and Leases	\$ 615,844	\$ 570,481
Investment Securities	115,719	94,666
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	4,372	6,049
Total Interest Income	735,935	671,196
<b>Interest Expense</b>	518,242	511,684
Net Interest Income	217,693	159,512
Provision for Credit Losses	-	-
Net Interest Income After Provision for Credit Losses	217,693	159,512
<b>Noninterest Income / Expense</b>		
Net Fee Income	14,102	11,042
Prepayment Income	5,787	265
Losses on Early Extinguishments of Debt	(6,643)	-
Other, Net	5,421	1,398
Total Noninterest Income	18,667	12,705
<b>Noninterest Expenses</b>		
Employee Compensation	22,916	21,162
Insurance Fund Premium	11,864	8,650
Information Services	4,116	3,986
Occupancy and Equipment	1,716	1,436
Farm Credit System Related	1,435	1,341
Other	4,992	4,809
Total Noninterest Expenses	47,039	41,384
Income Before Income Taxes	189,321	130,833
Provision for Income Taxes	39,761	27,339
<b>Net Income</b>	<b>\$ 149,560</b>	<b>\$ 103,494</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

# Condensed Consolidated Balance Sheets

COBANK, ACB

*\$ in thousands*

	March 31, 2008 (Unaudited)	December 31, 2007
<b>Assets</b>		
Total Loans and Leases	\$ 46,841,469	\$ 40,491,486
Less: Allowance for Credit Losses	446,376	447,226
Net Loans and Leases	46,395,093	40,044,260
Cash	15,757	40,415
Investment Securities	10,425,491	10,434,371
Federal Funds Sold, Securities Purchased		
Under Resale Agreements and Other	747,000	647,400
Interest Rate Swaps and		
Other Financial Instruments	1,016,242	455,612
Accrued Interest Receivable and Other Assets	555,861	566,838
<b>Total Assets</b>	<b>\$ 59,155,444</b>	<b>\$ 52,188,896</b>
<b>Liabilities</b>		
Bonds and Notes	\$ 54,671,636	\$ 47,563,742
Subordinated Debt (Note 7)	500,000	500,000
Interest Rate Swaps and		
Other Financial Instruments	87,647	56,823
Accrued Interest Payable and Other Liabilities	655,756	834,907
Total Liabilities	55,915,039	48,955,472
Commitments and Contingencies (Note 8)		
<b>Shareholders' Equity</b>		
Preferred Stock	500,000	500,000
Common Stock and Participation Certificates	1,282,757	1,291,421
Unallocated Retained Earnings	1,527,661	1,470,191
Accumulated Other Comprehensive Loss	(70,013)	(28,188)
Total Shareholders' Equity	3,240,405	3,233,424
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 59,155,444</b>	<b>\$ 52,188,896</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

# Condensed Consolidated Statements of Cash Flows

COBANK, ACB

*\$ in thousands*

<b>For the Three Months Ended March 31, (Unaudited)</b>	<b>2008</b>	<b>2007</b>
<b>Cash Flows Provided by Operating Activities</b>		
Net Income	\$ 149,560	\$ 103,494
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Deferred Income Taxes	28,557	(2,265)
Depreciation, Amortization and Accretion, Net	8,929	5,978
Decrease in Accrued Interest Receivable and Other Assets	17,090	2,065
Decrease in Accrued Interest Payable and Other Liabilities	(95,297)	(25,308)
Net (Gains) Losses on Interest Rate Swaps and Other Financial Instruments	684	(2,423)
Net Cash Provided by Operating Activities	109,523	81,541
<b>Cash Flows Used in Investing Activities</b>		
Net Increase in Loans and Leases	(6,336,975)	(1,453,312)
Net Increase in Investment Securities	(52,667)	(258,698)
Net (Increase) Decrease in Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	(99,600)	122,000
Net Cash Used in Investing Activities	(6,489,242)	(1,590,010)
<b>Cash Flows Provided by Financing Activities</b>		
Net Issuance of Bonds and Notes	6,560,050	1,694,061
Net Retirements of Common Stock and Participation Certificates	(40,616)	(50,481)
Cash Patronage Distribution and Other	(155,013)	(124,160)
Preferred Stock Dividends	(9,360)	(9,360)
Net Cash Provided by Financing Activities	6,355,061	1,510,060
Net Increase (Decrease) in Cash	(24,658)	1,591
Cash at Beginning of Period	40,415	6,420
Cash at End of Period	\$ 15,757	\$ 8,011
<b>Supplemental Disclosures:</b>		
<b>Schedule of Noncash Investing and Financing Activities:</b>		
Net Change in Purchases of Accrued Securities	\$ (10,582)	\$ -
Net Change in Unrealized Losses on Investment Securities, Before Taxes	(73,131)	19,764
Net Change in Unrealized Losses/Gains on Interest Rate Swaps and Other Financial Instruments, Before Taxes	5,674	(2,450)
Patronage in Common Stock and Participation Certificates	31,953	21,031

The accompanying notes are an integral part of the condensed consolidated financial statements.

## Condensed Consolidated Statements of Changes in Shareholders' Equity

COBANK, ACB

*\$ in thousands*

<b>For the Three Months Ended March 31, (Unaudited)</b>	<b>2008</b>	<b>2007</b>
Balance at Beginning of Period	\$ 3,233,424	\$ 3,040,058
Adjustments for the Adoption of New Accounting Pronouncements (Note 2)	<b>(609)</b>	(250)
Balance at Beginning of Period, as Adjusted	<b>3,232,815</b>	3,039,808
Comprehensive Income:		
Net Income	<b>149,560</b>	103,494
Other Comprehensive Income, Net of Taxes:		
Net Change in Unrealized Losses on Investment Securities	<b>(45,341)</b>	12,550
Net Change in Unrealized Losses/Gains on Interest Rate Swaps and Other Financial Instruments	<b>3,518</b>	(1,556)
Net Pension-related Adjustment	<b>(2)</b>	-
Comprehensive Income	<b>107,735</b>	114,488
Preferred Stock Dividends	<b>(9,360)</b>	(9,360)
Common Stock / Participation Certificates Issued	<b>29</b>	27
Common Stock / Participation Certificates Retired	<b>(40,645)</b>	(50,508)
Cash Patronage Distribution Payable and Other	<b>(50,169)</b>	(35,473)
<b>Balance at End of Period</b>	<b>\$ 3,240,405</b>	<b>\$ 3,058,982</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

# Notes to Condensed Consolidated Financial Statements

## COBANK, ACB

*(Unaudited) (\$ in Thousands, Except as Noted)*

### **Note 1 – Organization, Lending Authority and Significant Accounting Policies**

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The accompanying unaudited condensed consolidated financial statements include the accounts of COBANK, ACB and its wholly-owned subsidiary, Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as COBANK or the Bank. All material inter-company accounts and transactions have been eliminated. In our opinion, all adjustments considered necessary for a fair presentation of the interim financial condition, results of operations and cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. Our results of operations for the three months ended March 31, 2008 are not necessarily indicative of results to be expected for the entire fiscal year.

The accompanying unaudited condensed consolidated financial statements exclude financial information of Northwest Farm Credit Services, ACA (Northwest) as well as the System Associations in the Northeastern region of the United States (Northeast Associations), which are collectively referred to as our affiliated Associations. COBANK and our affiliated Associations are collectively referred to as the “District.” The supplemental information on pages 26 to 27 includes certain unaudited combined financial information of our affiliated Associations and the District.

Copies of COBANK’s financial reports are available on request by calling or visiting one of our banking center locations and through our website at [www.cobank.com](http://www.cobank.com). Copies of financial reports of our affiliated Associations and the System are available on their respective websites, which can also be accessed through links on our COBANK website under “Farm Credit Partners.”

These unaudited quarterly condensed consolidated financial statements should be read in conjunction with the 2007 Annual Report. A description of our organization and lending authority is contained in our 2007 Annual Report. Also included in the 2007 Annual Report is a summary of significant accounting policies as well as the financial condition and consolidated results of operations as of and for the year ended December 31, 2007. These unaudited quarterly condensed consolidated financial statements have been prepared in accordance with these same accounting policies.

### **Note 2 – Adoption of New Accounting Pronouncements**

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In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). The Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We adopted FAS 157 effective January 1, 2008. The adoption of FAS 157 did not have a material effect on our financial position, results of operations or cash flows; however, we have expanded our fair value disclosures in accordance with FAS 157 as disclosed in Note 4.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Benefits (FAS 158). FAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income (loss), a component of shareholders’ equity. We adopted these recognition requirements as of December 31, 2007 and the effects were reflected in our audited financial statements. FAS 158 also requires the measurement date for plan assets and liabilities to coincide with the employer’s fiscal year-end. This requirement is effective for fiscal years ending after December 15, 2008. See Note 5 for a description of the effect of the adoption of the change in measurement date requirement.

As previously disclosed in our 2007 Annual Report, effective January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 (FIN 48). As a result of the adoption of FIN 48, effective January 1, 2007, we recognized a \$250 thousand increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to retained earnings.

### Note 3 – Allowance of Credit Losses

The following tables present a summary of changes in the allowance for credit losses as well as information concerning impaired loans and leases.

<b>Allowance for Credit Losses</b>		
For the Three Months Ended March 31,	2008	2007
Balance at Beginning of Period	\$ 447,226	\$ 438,231
Provision for Credit Losses	-	-
Charge-offs	(3,008)	(66)
Recoveries	2,158	2,974
Balance at End of Period	\$ 446,376	\$ 441,139

Impaired loans and leases are those loans and leases for which it is probable that all principal and interest will not be collected according to the contractual terms. Impaired loan and lease information is shown in the following table, including loans and leases past due 90 days or more and still accruing interest, which are adequately secured and in the process of collection.

<b>Impaired Loan and Lease Information</b>		
	March 31, 2008	December 31, 2007
Nonaccrual Loans and Leases	\$ 90,715	\$ 14,808
Accruing Loans and Leases 90 Days or More Past Due	3,753	1,563
Restructured Loans	292	336
Total Impaired Loans and Leases	\$ 94,760	\$ 16,707
Impaired Loans and Leases with Related Specific Allowance	\$ 73,950	\$ 3,850
Impaired Loans and Leases without Related Specific Allowance	20,810	12,857
Total Impaired Loans and Leases	\$ 94,760	\$ 16,707
Specific Allowance on Impaired Loans and Leases	\$ 12,717	\$ 1,026
Other Property Owned	3	3

For the Three Months Ended March 31,	2008	2007
Average Impaired Loans and Leases	\$ 33,935	\$ 87,324
Interest Income Recognized on Impaired Loans and Leases	3,037	3,809

<b>Allowance for Credit Losses as a Percentage of:</b>	March 31, 2008	December 31, 2007
Total Loans and Leases	0.95%	1.10%
Impaired Loans and Leases	471	2,677
Nonaccrual Loans and Leases	492	3,020

## Note 4 – Fair Value Measurement

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As described in Note 2, we adopted FAS 157 effective January 1, 2008. FAS 157 establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs and the classification of our financial instruments within the fair value hierarchy are as follows:

### *Level 1*

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. Level 1 assets and liabilities include investment securities and derivative contracts that are traded in an active exchange market, in addition to certain U.S. Treasury securities that are highly-liquid and are actively traded in over-the-counter markets. Our Level 1 assets at March 31, 2008 consist of assets held in a trust fund related to deferred compensation, our supplemental executive retirement plan and our executive retirement plan. The trust fund includes investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

### *Level 2*

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Level 2 assets and liabilities include investment securities that are traded in active, non-exchange markets and derivative contracts that are traded in active, over-the-counter markets.

The fair value of substantially all of our investment securities is determined from third-party valuation models that estimate current market prices. Inputs and assumptions related to third-party market valuation models are typically observable in the marketplace. Such models incorporate prepayment assumptions and underlying mortgage- or asset-backed collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities. Third-party valuations also incorporate information regarding broker/dealer quotes, available trade information, historical cash flows, credit ratings, and other market information. Such valuations represent an estimated exit price, or price to be received by a seller in active markets to sell the investment securities to a willing participant.

The fair value of our derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer or extinguish a derivative liability in active markets among willing participants at the reporting date. Estimated fair values are determined through internal market valuation models. These models incorporate benchmark interest rate curves, volatilities, and other inputs which are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results.

Our Level 2 assets and liabilities at March 31, 2008 include our derivative contracts and investment securities in U.S. government and agency mortgage-backed securities, non-agency mortgage-backed securities, and U.S. agency debt securities, all of which have unadjusted values from third-party or internal pricing models. Level 2 assets also include federal funds sold, securities purchased under resale agreements and other highly-liquid funds, all of which are non-exchange-traded instruments. The market value of these federal funds sold and other instruments is generally their face value, plus accrued interest, as these instruments are highly-liquid, readily convertible to cash, and short-term in nature. Our Level 2 assets and liabilities also include collateral balances, which are required under collateral support and master agreements associated with our derivative contracts. The

market value of collateral assets and liabilities is their face value, plus accrued interest, as these instruments are cash balances; therefore, fair value approximates face value.

### ***Level 3***

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Level 3 assets and liabilities include investments and derivative contracts whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, and other instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets and liabilities also include investments and derivative contracts whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

Our Level 3 assets at March 31, 2008 include our asset-backed investment portfolio, which have unadjusted values from third-party pricing models. Based on the currently illiquid marketplace for mortgage-related asset-backed investments and the lack of marketplace information available as inputs and assumptions to the valuation process, we classified our asset-backed investment portfolio as Level 3 assets. Our Level 3 liabilities at March 31, 2008 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

### ***Assets and Liabilities Measured at Fair Value on a Recurring Basis***

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2008 for each of the fair value hierarchy levels.

#### **Assets and Liabilities Measured at Fair Value on a Recurring Basis**

As of March 31, 2008

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment Securities	\$ -	\$ 10,064,142	\$ 361,349	\$ 10,425,491
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	-	747,000	-	747,000
Interest Rate Swaps and Other Financial Instruments	-	1,016,242	-	1,016,242
Assets Held in Trust (included in Other Assets)	31,849	-	-	31,849
<b>Total Assets</b>	\$ 31,849	\$ 11,827,384	\$ 361,349	\$ 12,220,582
<b>Liabilities</b>				
Interest Rate Swaps and Other Financial Instruments	\$ -	\$ 81,157	\$ 6,490	\$ 87,647
Collateral Liabilities (included in Bonds and Notes)	-	446,585	-	446,585
<b>Total Liabilities</b>	\$ -	\$ 527,742	\$ 6,490	\$ 534,232

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis:

<b>Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis</b>			
		Asset-Backed Investment Securities	Standby Letters of Credit
<b>Balance at January 1, 2008</b>	\$	379,555	\$ 5,077
Total Gains or Losses (Realized/Unrealized):			
Included in Earnings		-	-
Included in Other Comprehensive Loss		(5,511)	-
Purchases, Sales, Issuances and Settlements, Net		(12,695)	1,413
<b>Balance at March 31, 2008</b>	\$	361,349	\$ 6,490

## **Note 5 – Employee Benefit Plans**

We have employer-funded qualified defined benefit pension plans which are noncontributory and cover employees hired prior to January 1, 2007. We have an employee savings plan pursuant to which we match a certain percentage of employees' elective contributions. Under this plan, employees hired on or after January 1, 2007 receive a fixed percentage of their eligible wages in their retirement account and a higher level of matching contributions than employees hired prior to that date. We also have a noncontributory, unfunded non-qualified supplemental executive retirement plan (SERP) that covers a limited number of our executives and senior managers, as well as an unfunded non-qualified executive retirement plan (ERP) designed to provide enhanced retirement benefits to certain of our most senior executives. In addition, we have other postretirement benefit plans that cover substantially all of our employees. These other postretirement benefit plans are unfunded contributory plans with participant contributions adjusted annually. Substantially all participants pay the full premiums associated with these plans.

We expect to contribute \$8.0 million to our funded qualified defined benefit pension plans and a net \$0.3 million, after reflecting collected retiree premiums, to our other postretirement benefit plans in 2008. We also expect to transfer approximately \$2.5 million into our trust funds related to our SERP and ERP in 2008.

As described in Note 2, we adopted the recognition provisions of FAS 158 in 2007. FAS 158 also requires the measurement date for plan assets and liabilities to coincide with the employer's fiscal year-end. This requirement is effective for fiscal years ending after December 15, 2008. We have historically used September 30 as the measurement date for our pension and other postretirement benefit plans. FAS 158 provides two approaches for an employer to transition to a fiscal year-end measurement date. We have applied the second approach, which allows for the use of measurements determined for the year-end reporting as of the fiscal year immediately preceding the year during which the measurement date provisions are applied. Under this alternative, pension and postretirement benefit expense measured for the three-month period October 1, 2007 to December 31, 2007 (determined using the September 2007 measurement date) of \$1.0 million was recorded in retained earnings at January 1, 2008. As result, we decreased retained earnings by \$0.6 million, net of taxes, decreased other assets by \$0.1 million and increased other liabilities by \$0.5 million.

## **Note 6 – Preferred Stock**

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In March 2008, our voting class of shareholders approved an amendment to the Bank's bylaws increasing the authorized amount of preferred stock the Bank may have outstanding from \$500 million to \$1.0 billion. Additionally, shareholders approved the issuance of up to \$250 million in aggregate of Series C non-cumulative perpetual preferred stock prior to the end of 2009, subject to final review by the Bank's regulator.

## **Note 7 – Subordinated Debt**

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At March 31, 2008, we had \$500 million of subordinated debt outstanding resulting from our June 2007 issuance. In April 2008, we issued an additional \$500 million of subordinated debt increasing our total subordinated debt outstanding to \$1.0 billion. The April issuance was \$500 million of 7.875 percent unsecured subordinated notes due 2018, generating net proceeds of \$496.8 million. The proceeds will be used to increase our regulatory permanent capital and total surplus pursuant to the Farm Credit Administration (FCA) regulations and for general corporate purposes. This debt is unsecured and subordinate to all other categories of creditors, including general creditors, and senior to all classes of shareholders. Interest is payable semi-annually on April 15 and October 15. Interest will be deferred if, as of the fifth business day prior to an interest payment date of the debt, any applicable minimum regulatory capital ratios are not satisfied. A deferral period may not last for more than five consecutive years or beyond the maturity date of the subordinated debt. During such a period, we may not declare or pay any dividends or patronage refunds, among certain other restrictions, until interest payments are resumed and all deferred interest has been paid. The subordinated debt is not considered Systemwide debt and is not guaranteed by the Farm Credit System or any banks in the System, other than COBANK. Payments on the subordinated notes are not insured by the Farm Credit Insurance Fund, a statutorily created insurance fund more fully described in Note 8.

## **Note 8 – Commitments and Contingencies**

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Under the Farm Credit Act of 1971, as amended, COBANK is primarily liable for its portion of Systemwide debt securities. Additionally, we are contingently liable for the Systemwide debt securities of the other System banks. Total Systemwide debt securities of the System were \$165.1 billion at March 31, 2008.

There are several mechanisms in place affecting exposure to statutory joint and several liabilities. These mechanisms include:

- The statutory requirement for System banks to maintain eligible assets at a level at least equal in value to the total amount of debt for which each System bank is primarily liable;
- Maintenance of certain financial criteria by contract which, if not met, could limit or ultimately deny a troubled System bank's access to and participation in System debt issuances; and
- The Farm Credit Insurance Fund, a statutorily created insurance fund to assist in the timely payment of principal and interest on Systemwide debt securities in the event of a default by a System bank to the extent that net assets are available in the insurance fund. At March 31, 2008, the assets of the insurance fund aggregated \$2.7 billion.

At March 31, 2008, various lawsuits were pending or threatened against the Bank in which claims for monetary damages have been or may be asserted. In the opinion of management, based on information currently available and taking into account the advice of legal counsel, the ultimate liability, if any, of pending or threatened legal actions will not have a material adverse impact on our consolidated results of operations or financial position.

## **Note 9 – Segment Financial Information**

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We conduct our lending and leasing operations through four operating segments: Agribusiness Banking Group (ABG), Strategic Relationships Division (SRD), Communications and Energy Banking Group (CEBG) and Global Financial Services Group (GFSG).

The accompanying tables present condensed disaggregated information for the segments. Allocation of resources and corporate items, as well as measurement of financial performance, are made at these operating segment levels. We also allocate net interest income on investment securities, federal funds sold, securities purchased under resale agreements and other highly-liquid funds to our segments. Information to reconcile the total reportable segments to the total COBANK financial statements is shown as “other.” Inter-segment transactions are insignificant.

We do not hold significant assets in any foreign country. Our international loans are dollar-denominated and the majority of these loans are guaranteed by a U.S. government-sponsored loan guarantee program.

For the three months ended March 31, 2008 and 2007, interest earned from an affiliated Association, Northwest, represented nine percent and ten percent, respectively, of our gross interest income and three percent and four percent, respectively, of our net interest income. No other customer made up ten percent or more of our gross or net interest income for the periods presented.

# Condensed Segment Financial Information

## COBANK, ACB

For the Three Months Ended March 31, 2008

	ABG	SRD	CEBG	GFSG	Subtotal	Other	Total CoBANK
<b>Results of Operations (\$ in Thousands):</b>							
Net Interest Income	\$ 130,675	\$ 16,788	\$ 47,363	\$ 23,163	\$ 217,989	\$ (296)	\$ 217,693
Provision for Credit Losses	-	-	-	-	-	-	-
Noninterest Income	3,864	2,208	5,524	6,172	17,768	899	18,667
Noninterest Expense	22,771	2,598	11,534	8,079	44,982	2,057	47,039
Provision for Income Taxes	28,958	-	6,804	4,297	40,059	(298)	39,761
<b>Net Income</b>	<b>\$ 82,810</b>	<b>\$ 16,398</b>	<b>\$ 34,549</b>	<b>\$ 16,959</b>	<b>\$ 150,716</b>	<b>\$ (1,156)</b>	<b>\$ 149,560</b>

**Selected Financial Information (\$ in Millions):**

Loans and Leases, Net of Allowance							
for Credit Losses at March 31, 2008	\$ 17,548	\$ 12,821	\$ 9,192	\$ 6,834	\$ 46,395	\$ -	\$ 46,395
Assets at March 31, 2008	\$ 17,682	\$ 12,901	\$ 9,255	\$ 6,882	\$ 46,720	\$ 12,435*	\$ 59,155

\*Other assets are comprised of:

Investment Securities						\$ 10,425	
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other							747
Other Assets							1,263

For the Three Months Ended March 31, 2007

	ABG	SRD	CEBG	GFSG	Subtotal	Other	Total CoBANK
<b>Results of Operations (\$ in Thousands):</b>							
Net Interest Income	\$ 83,969	\$ 14,803	\$ 40,466	\$ 20,535	\$ 159,773	\$ (261)	\$ 159,512
Provision (Reversal) for Credit Losses	15,000	-	(15,000)	-	-	-	-
Noninterest Income	4,558	1,089	2,753	4,277	12,677	28	12,705
Noninterest Expense	19,166	2,037	11,535	8,039	40,777	607	41,384
Provision for Income Taxes	13,083	254	10,660	3,660	27,657	(318)	27,339
<b>Net Income</b>	<b>\$ 41,278</b>	<b>\$ 13,601</b>	<b>\$ 36,024</b>	<b>\$ 13,113</b>	<b>\$ 104,016</b>	<b>\$ (522)</b>	<b>\$ 103,494</b>

**Selected Financial Information (\$ in Millions):**

Loans and Leases, Net of Allowance							
for Credit Losses at March 31, 2007	\$ 10,979	\$ 9,923	\$ 7,540	\$ 5,650	\$ 34,092	\$ -	\$ 34,092
Assets at March 31, 2007	\$ 11,103	\$ 10,002	\$ 7,603	\$ 5,701	\$ 34,409	\$ 8,590*	\$ 42,999

\*Other assets are comprised of:

Investment Securities						\$ 7,741	
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other							546
Other Assets							303

## Supplemental District Financial Information

### COBANK, ACB AND AFFILIATED ASSOCIATIONS

Our affiliated Associations operate independently and maintain an arms-length relationship with us, except to the limited extent that the Farm Credit Act requires us, as the funding bank, to monitor and approve certain activities of affiliated Associations. Accordingly, the financial information of affiliated Associations is not included in our consolidated financial statements. However, because of the interdependent manner in which COBANK and its affiliated Associations operate, we believe that presenting combined Bank and Association financial information is meaningful for purposes of additional analysis.

The following condensed Combining Balance Sheets and Combining Statements of Income, together with ratios and other financial information, present condensed combined financial information of COBANK and its affiliated Associations, which are collectively referred to as the District. As part of the combining process, all significant transactions between COBANK and its affiliated Associations, including loans made by the Bank to the affiliated Associations and the interest income/interest expense related thereto, and investments of the affiliated Associations in the Bank and the earnings related thereto, have been eliminated.

### Combining Balance Sheets (Condensed)

*\$ in Millions (Unaudited)*

As of March 31, 2008	COBANK	Combined Affiliated Associations	Eliminations	Combined COBANK District
Investments, Federal Funds Sold and Other Highly-Liquid Assets	\$ 11,172	\$ -	\$ -	\$ 11,172
Loans and Leases	46,841	10,746	(9,292)	48,295
Less: Allowance for Credit Losses	(446)	(62)	-	(508)
Net Loans and Leases	46,395	10,684	(9,292)	47,787
Other Assets	1,588	648	(473)	1,763
<b>Total Assets</b>	<b>\$ 59,155</b>	<b>\$ 11,332</b>	<b>\$ (9,765)</b>	<b>\$ 60,722</b>
Bonds and Notes	\$ 55,172	\$ 9,424	\$ (9,362)	\$ 55,234
Other Liabilities	743	56	(21)	778
<b>Total Liabilities</b>	<b>55,915</b>	<b>9,480</b>	<b>(9,383)</b>	<b>56,012</b>
<b>Total Shareholders' Equity</b>	<b>3,240</b>	<b>1,852</b>	<b>(382)</b>	<b>4,710</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 59,155</b>	<b>\$ 11,332</b>	<b>\$ (9,765)</b>	<b>\$ 60,722</b>

### As of December 31, 2007

Investments, Federal Funds Sold and Other Highly-Liquid Assets	\$ 11,081	\$ -	\$ -	\$ 11,081
Loans and Leases	40,491	10,541	(9,179)	41,853
Less: Allowance for Credit Losses	(447)	(63)	-	(510)
Net Loans and Leases	40,044	10,478	(9,179)	41,343
Other Assets	1,064	744	(531)	1,277
<b>Total Assets</b>	<b>\$ 52,189</b>	<b>\$ 11,222</b>	<b>\$ (9,710)</b>	<b>\$ 53,701</b>
Bonds and Notes	\$ 48,064	\$ 9,302	\$ (9,260)	\$ 48,106
Other Liabilities	892	111	(65)	938
<b>Total Liabilities</b>	<b>48,956</b>	<b>9,413</b>	<b>(9,325)</b>	<b>49,044</b>
<b>Total Shareholders' Equity</b>	<b>3,233</b>	<b>1,809</b>	<b>(385)</b>	<b>4,657</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 52,189</b>	<b>\$ 11,222</b>	<b>\$ (9,710)</b>	<b>\$ 53,701</b>

Supplemental District Financial Information  
**COBANK, ACB AND AFFILIATED ASSOCIATIONS**

Combining Statements of Income (Condensed)

*\$ in Millions (Unaudited)*

For the Three Months Ended March 31,	COBANK	Combined Affiliated Associations	Eliminations	Combined COBANK District
<b>2008</b>				
Net Interest Income	\$ 218	\$ 73	\$ -	\$ 291
Provision for Credit Losses	-	2	-	2
Noninterest Income	19	23	(11)	31
Noninterest Expense	47	37	-	84
Provision for Income Taxes	40	2	-	42
<b>Net Income</b>	<b>\$ 150</b>	<b>\$ 55</b>	<b>\$ (11)</b>	<b>\$ 194</b>
<b>2007</b>				
Net Interest Income	\$ 159	\$ 67	\$ -	\$ 226
Provision for Credit Losses	-	1	-	1
Noninterest Income	12	20	(10)	22
Noninterest Expense	41	36	-	77
Provision for Income Taxes	27	1	-	28
<b>Net Income</b>	<b>\$ 103</b>	<b>\$ 49</b>	<b>\$ (10)</b>	<b>\$ 142</b>

Key Financial Ratios – Combined COBANK District

*(Unaudited)*

For the Three Months Ended March 31,	2008	2007
Return on Average Assets	1.31%	1.28%
Return on Average Capital	16.25	12.94
Net Interest Margin	2.01	2.05
Operating Expense as a Percent of Net Interest Income and Noninterest Income	26.19	31.03
Net Charge-offs (Recoveries) as a Percent of Average Loans and Leases	0.03	(0.04)
	March 31, 2008	December 31, 2007
Capital as a Percent of Total Assets	7.76%	8.67%
Risk Funds as a Percent of Loans and Leases	10.81	12.34
Allowance for Credit Losses as a Percent of Loans and Leases	1.05	1.22
Debt to Capital (:1)	11.89	10.54

Asset Quality Ratios – Combined COBANK District

*(Unaudited)*

	March 31, 2008	December 31, 2007
Acceptable	95.75 %	96.01%
Other Assets Especially Mentioned	2.57	2.18
Substandard	1.65	1.80
Doubtful	0.03	0.01
Loss	-	-
<b>Total</b>	<b>100.00 %</b>	<b>100.00%</b>

## Controls and Procedures

### COBANK, ACB

We maintain a system of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information disclosed by us in our quarterly and annual reports is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions to be made regarding disclosure. The President and Chief Executive Officer and the Chief Financial and Administrative Officer have evaluated our disclosure controls and procedures as of the end of and for the period covered by this quarterly report and have concluded that our disclosure controls and procedures are effective as of that date.

We also maintain a system of internal controls. The term “internal controls,” as defined by the American Institute of Certified Public Accountants’ Codification of Statement on Auditing Standards, AU Section 319, means a process - effected by the board of directors, management and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in reliability of our financial reporting, the effectiveness and efficiency of operations and of compliance with applicable laws and regulations. We continually assess the adequacy of our internal control over financial reporting and enhance our controls in response to internal control assessments and internal and external audit and regulatory recommendations. There have been no significant changes in our internal controls or in other factors that could significantly affect such controls subsequent to the date we carried out our evaluations. In accordance with our internal control procedures, these financial statements were prepared under the oversight of the audit committee of our Board of Directors.

## CERTIFICATION

I, Robert B. Engel, President and Chief Executive Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

- (1) I have reviewed this quarterly report of CoBank;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;
- (4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
- (5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ ROBERT B. ENGEL

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Robert B. Engel  
*President and Chief Executive Officer*

Dated: May 9, 2008

## CERTIFICATION

I, Brian P. Jackson, Executive Vice President and Chief Financial and Administrative Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

- (1) I have reviewed this quarterly report of CoBank;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;
- (4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
- (5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ BRIAN P. JACKSON

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Brian P. Jackson  
*Executive Vice President and Chief Financial and  
Administrative Officer*

Dated: May 9, 2008

# Leadership

COBANK, ACB

## *Executive Office*

**Robert B. Engel**, President and Chief Executive Officer

**Kathleen M. Butler**, Human Resources Division

**Jack E. Cassidy**, Government and Board Relations Division

## *Corporate Services Group*

**Brian P. Jackson**, Executive Vice President and Chief Financial and Administrative Officer

**James R. Bernstein**, Chief Information Officer

**David P. Burlage**, Finance Division

**George P. Delaune**, Administrative Services Division

**Arthur C. Hodges, Jr.**, Corporate Communications Division

**Allan S. Kantrowitz**, Legal Division

**Stephen F. Staley**, Senior Vice President

**John Svisco**, Operations Division

## *Agribusiness Banking Group\**

**Philip S. DiPofi**, Executive Vice President

**Robert E. Egerton**, Agribusiness Division – East

**Dean W. Moreau**, Agribusiness Division – West

**Russell D. Nelson**, Farm Credit Leasing Services Corporation

## *Communications and Energy Banking Group*

**Mary E. McBride**, Executive Vice President

**Jennifer G. Goss**, Electric Distribution Division

**Aivars (Jake) Udris**, Power Supply, Energy Services and Water Division

**Robert F. West**, Communications Division

## *Global Financial Services Group*

**John C. Holsey**, Executive Vice President

**Antony M. Bahr**, Capital Markets Division

**Manuel Fernandez-Quevedo**, International Division

**Richard A. Scholz**, Non-Credit Services Division

**Scott S. Trauth**, Corporate Finance Division

## *Credit and Risk Management Group*

**Douglas E. Wilhelm**, Executive Vice President and Chief Credit and Risk Officer

**Rodney A. Brown**, Asset Review, Collateral and Compliance Division

**Gary M. Fitzgerald**, Internal Audit Division

**Lori L. O'Flaherty**, Credit Approval and Administration Division

\* The Strategic Relationships Division is included within the Agribusiness Banking Group.

## Office Locations

CoBANK, ACB

### ***CoBANK National Office and Denver Banking Center \*\****

5500 S. Quebec St.  
Greenwood Village, CO 80111  
P. O. Box 5110  
Denver, CO 80217  
(303) 740-4000  
(800) 542-8072

### ***Farm Credit Leasing Services Corporation***

600 Highway 169 South, Suite 300  
Minneapolis, MN 55426  
(952) 417-7800  
(800) 444-2929

### ***Washington, DC Office***

50 F Street, N.W., Suite 900  
Washington, DC 20001  
(202) 879-0838

## **U.S. Regional Offices**

### ***Ames Banking Center***

2515 University Boulevard, Suite 104  
Ames, IA 50010  
(515) 292-8828

### ***Arizona Farm Credit Leasing Office\****

3003 S. Fair Lane  
Tempe, AZ 85282  
(602) 438-9811

### ***Atlanta Banking Center \*\****

900 Circle 75 Parkway, Suite 1400  
Atlanta, GA 30339-5946  
(770) 618-3200  
(800) 255-7429  
FCL: (770) 618-3226

### ***California Farm Credit Leasing Office \****

3984 Cherokee Road  
Stockton, CA 95215  
(209) 931-3770

### ***Fargo Banking Center***

Goldmark Office Park  
1711 Gold Drive South, Suite 230  
Fargo, ND 58103  
(701) 277-5007  
(866) 280-2892

CoBANK's 2008 *Quarterly and Annual Reports to Shareholders* are available free of charge on request by calling or visiting one of our banking center locations and through our website at [www.cobank.com](http://www.cobank.com) on approximately May 10, 2008, August 9, 2008, November 9, 2008, and March 1, 2009 (Annual Report).

### ***Florida Farm Credit Leasing Office \****

11903 Southern Boulevard, Suite 203  
Royal Palm Beach, FL 33411  
(561) 965-9001

### ***Louisville Banking Center \*\****

1601 UPS Drive, Suite 102  
Louisville, KY 40223  
(502) 423-5650  
(800) 262-6599  
FCL: (800) 942-3309

### ***Lubbock Banking Center***

5715 West 50th  
Lubbock, TX 79414  
P.O. Box 6770  
Lubbock, TX 79493  
(806) 785-3978

### ***Maryland Farm Credit Leasing Office \****

1 North Park Drive, Suite 205  
Hunt Valley, MD 21030  
(410) 771-9077  
(800) 225-8325

### ***Minneapolis Banking Center \*\****

600 Highway 169 South, Suite 300  
Minneapolis, MN 55426  
(952) 417-7900  
(800) 282-4150  
FCL: (800) 444-2929

### ***Omaha Banking Center \*\****

11422 Miracle Hills Drive, Suite 300  
Omaha, NE 68154-4404  
(402) 492-2000  
(800) 346-5717

### ***Sacramento Banking Center \*\****

8950 Cal Center Drive, Suite 108  
Sacramento, CA 95826  
(916) 431-3000  
(800) 457-0942  
FCL: (800) 289-7080

### ***Spokane Banking Center \*\****

1700 South Assembly Street,  
Suite 103  
Spokane, WA 99224-2121  
P.O. Box 2720  
Spokane, WA 99220-2720  
(509) 363-8700  
(800) 378-5577

### ***Springfield Banking Center \*\****

67 Hunt Street, Suite 3  
Agawam, MA 01001  
Springfield, MA 01102-9061  
(413) 821-0200  
(800) 876-3227  
FCL: (413) 821-0214

### ***St. Louis Banking Center \*\****

1630 Des Peres Road, Suite 210  
St. Louis, MO 63131  
(314) 835-4200  
(800) 806-4144  
FCL: (800) 853-5480

### ***Texas Farm Credit Leasing Offices \****

5701 I40 West  
Amarillo, TX 79106  
(806) 352-6310  
403 N. Sunset Strip, Highway 181  
Kenedy, TX 78119  
(830) 583-0000

### ***Wichita Banking Center \*\****

245 North Waco, Suite 230  
Wichita, KS 67202  
P.O. Box 2940  
Wichita, KS 67201-2940  
(316) 290-2000  
(800) 322-3654  
FCL: (800) 322-6558

## **International Office**

### ***Singapore Representative Office***

10 Hoe Chiang Road  
#05-01 Keppel Towers  
Singapore 089315  
(65) 6534-5261

\* *Farm Credit Leasing office only*

\*\* *Farm Credit Leasing office within this CoBANK location*