2010 Quarterly Report
JUNE 30, 2010

Dear CoBank Customer-Owner:

We're pleased to report that CoBank recorded another period of strong financial performance in the second quarter of 2010. Overall demand for loans in many of the industries we serve remains soft due to the uncertainty that persists about the direction of the global economy. However, the bank continues to generate robust earnings and to fulfill its mission as a reliable source of credit and other financial services for our customer-owners across rural America.

Second-quarter net income was $150.4 million, compared with $156.1 million in the second quarter of 2009. Net interest income for the quarter was $217.9 million, compared with $239.7 million in the same period last year. Average loan volume for the second quarter of 2010 was $43.2 billion, compared to $45.9 billion for the same period in 2009. For the first six months of 2010, net income increased 1 percent to $319.0 million and included the impact of refunds of insurance fund premiums paid in prior years. Net interest income for the first six months of 2010 was $448.6 million, compared to $492.9 million in the same period of 2009. Total loan volume for the bank at June 30, 2010 was $42.3 billion.

As in recent prior quarters, loan volume decreased primarily due to lower commodity prices and lower inventories at agricultural cooperatives, which resulted in a corresponding reduction in seasonal lending to agribusiness customers. Those declines were partially offset by growth in loans to rural energy customers and in wholesale loans to Farm Credit associations.

At quarter end, 1.74 percent of the bank's loans were classified as adverse assets, compared with 2.01 percent at March 31, 2010. Nonaccrual loans improved to $272.1 million, compared to $298.6 million at the end of the first quarter. During the second quarter, the bank recorded a $4.0 million provision for loan losses, in addition to the $12.5 million provision in the first quarter of this year. Provisions for loan losses in the first six months of last year were $30.0 million. The bank's reserve for credit exposure now totals $503.3 million or 2.13 percent of non-guaranteed loans outstanding when loans to Farm Credit associations are excluded.

We're pleased to see continued stabilization in overall credit quality and improvements in credit quality for certain sectors. That said, we could see a decline in credit quality in certain areas of our loan portfolio as a result of ongoing challenges in many parts of the global economy. In the event credit quality declines, our strong earnings and loss reserves will function as an important safeguard for the bank and its capital foundation.

Capital and liquidity levels at the bank remain strong and well in excess of regulatory minimums. At quarter end, the bank held approximately $14.6 billion in cash and investments. The bank averaged 258 days of liquidity during the first six months of the year, compared with the 90-day minimum established by the Farm Credit Administration, the bank's regulator. As global credit markets have continued to stabilize over the past several months, we expect to adjust our liquidity position closer to our management target of 180 days over the balance of 2010.

In the broader economy, conditions in the credit markets have improved markedly since the depths of the banking crisis in the latter half of 2008 and the first part of 2009. However, global economic conditions are volatile and economic activity in the United States remains sluggish as evidenced by a stubbornly high jobless rate and low consumer confidence. We have found most banks are generally willing to lend to credit-worthy borrowers, but demand for loans from credit-worthy borrowers across the board continues to be weak from both consumers and enterprises.

At CoBank, these dynamics have clearly impacted the borrowing needs of our customers, along with the bank's loan volume and net interest income. It remains difficult to predict with any certainty when real confidence and vigor will return to the U.S. economy, bringing with it a substantial increase in consumption and investment. We are fortunate that our board – and our base of customer-owners – understand the importance of managing for the long term and protecting the bank's foundation of strength and stability. We continue to focus on serving as a trusted and dependable financial partner for our customers and delivering on a value proposition that has proven to be both powerful and enduring throughout an enormously challenging period in our nation's economic history.

As always, we are deeply grateful for the business of our customer-owners and the enormous trust they 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

August 4, 2010

Financial Highlights
CoBank, ACB

($ in Thousands)

	June 30, 2010 *(Unaudited)*	December 31, 2009
Total Loans	**$ 42,315,617**	$ 44,174,464
Less: Allowance for Loan Losses	**381,515**	369,817
Net Loans	**$ 41,934,102**	$ 43,804,647
Total Assets	**$ 58,363,827**	$ 58,160,702
Total Shareholders' Equity	**4,258,438**	4,057,629

For the Six Months Ended June 30, *(Unaudited)*	2010	2009
Net Interest Income	**$ 448,623**	$ 492,937
Provision for Loan Losses	**16,500**	30,000
Net Fee Income	**46,487**	38,298
Net Income	**319,031**	315,994
Net Interest Margin	**1.62**%	1.73%
Return on Average Assets	**1.11**	1.03
Return on Average Common Shareholders' Equity	**16.61**	18.90
Return on Average Total Shareholders' Equity	**15.37**	16.98
Average Loans	**$ 43,965,281**	$ 45,828,041
Average Earning Assets	**55,786,871**	57,594,542
Average Total Assets	**58,191,468**	62,125,336

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

CoBank, ACB

Business Overview

CoBank, ACB (CoBank or the Bank) 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 Farm Credit associations (Associations), and other businesses that serve rural America. We provide a diverse range of financial solutions domestically and internationally to vital industries through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

The following discussion and analysis should be read in conjunction with the accompanying condensed consolidated quarterly financial statements and related notes and with our 2009 Annual Report to Shareholders.

Consolidated Results of Operations

CoBank continued to perform well through the second quarter of 2010 notwithstanding ongoing weakness in many parts of the global economy. Net income increased 1 percent to $319.0 million for the six months ended June 30, 2010, compared to $316.0 million during the same period in 2009. Increased earnings were driven principally by an increase in noninterest income, primarily due to refunds of a portion of Farm Credit insurance fund premiums paid in prior years and greater fee income, and a decrease in the provision for loan losses. These favorable items were largely offset by a decrease in net interest income.

Net interest income decreased to $448.6 million for the six months ended June 30, 2010, compared to $492.9 million for the same period in 2009, due to a decline in overall net interest margin and lower average loan volume. Net interest margin was 1.62 percent for the six months ended June 30, 2010, as compared to 1.73 percent for the same prior-year period. Lower net interest margin resulted from a decreased benefit to our asset/liability position of low short-term market interest rates, as the slope of the yield curve was more positive in the 2009 period. In addition, the 2009 period included a benefit from the change in the fair value of derivatives, as more fully explained in "Interest Rate Risk Management" on page 12. Lower rates earned on our investment portfolio, in part due to the purchase of U.S. Treasury securities subsequent to the second quarter of 2009, also contributed to lower overall net interest income and margin. Increased lending spreads in our loan portfolio, which are reflective of current market conditions, somewhat offset the negative effects of the aforementioned items.

Average total assets decreased to $58.2 billion for the first six months of 2010, compared to $62.1 billion for the same period of 2009. This decline in average total assets included lower levels of cash held in the 2010 period, which contributed to $1.8 billion of the decrease. During most of 2009, we held higher levels of cash to further enhance our liquidity during the credit crisis. Average loans outstanding decreased to $44.0 billion for the first six months of 2010 compared to $45.8 billion for the same period in 2009. This decrease is primarily due to a reduction in loans to agribusiness customers, somewhat offset by modest growth in loans to rural energy and Association customers. The decrease in average agribusiness loans is the result of lower prices for agricultural commodities and inputs, as well as lower inventory levels at cooperatives. Growth in our rural energy portfolio primarily resulted from increased financing requirements from our generation and transmission and rural electric distribution customers.

We recorded a $16.5 million provision for loan losses in the first six months of 2010, compared to a $30.0 million provision in the same period of 2009. The 2010 provision relates to our Rural Infrastructure operating segment, somewhat offset by a reversal in the reserve for credit exposure in our Agribusiness operating segment. Adverse assets declined to 1.74 percent of total loans at June 30, 2010 compared to 2.17 percent at December 31, 2009. Nonaccrual loans also improved, to $272.1 million at June 30, 2010 from $307.6 million at December 31, 2009. Net charge-offs for the first six months of 2010 were $11.4 million compared to $32.2 million for the same period in 2009. Charge-offs in the 2010 period were primarily related to a limited number of agribusiness and rural energy customers, partially offset by recoveries in our communications portfolio. While loan quality appears to have stabilized in recent quarters, we could see a decline in credit quality in certain areas of our loan portfolio as a result of ongoing challenges in many parts of the global economy. Our loan quality is discussed in further detail beginning on page 8.

Noninterest income increased significantly to $75.1 million for the six months ended June 30, 2010, as compared to $45.4 million for the same period in 2009. Noninterest income is composed primarily of net fee income, loan prepayment fee income and miscellaneous gains and losses, reduced by losses on early extinguishments of debt and impairment losses on investment securities. The increase in noninterest income resulted primarily from $33.3 million in refunds from the Farm Credit System Insurance Corporation (Insurance Corporation) related to the Farm Credit Insurance Fund (Insurance Fund). The refunds are included in 'Other, Net' within the 'Noninterest Income/Expense' section of the accompanying condensed consolidated statement of income for the six months ended June 30, 2010. As more fully explained in our 2009 Annual Report, when the Insurance Fund exceeds the statutory 2 percent secure base amount (SBA), the Insurance Corporation is required to reduce premiums and may refund excess amounts. The Insurance Fund ended 2009 above the SBA. Consequently, in the first quarter of 2010, the Insurance Corporation agreed to distribute to System banks the excess amount generated in 2009, as well as excess amounts previously set aside in 2003. Net fee income increased by $8.2 million largely due to greater arrangement fees earned on transactions in our agribusiness and rural energy portfolios. These favorable items were partially offset by $14.0 million in impairment losses on investment securities recorded in the 2010 period. These losses resulted from a decline in the performance of the underlying collateral in a limited number of our investment securities, as more fully described on page 10. No such impairment losses were recorded in the first six months of 2009.

Noninterest expenses increased to $109.8 million for the six months ended June 30, 2010, as compared to $106.0 million for the same period in 2009. General and administrative expenses increased by $23.7 million primarily due to the settlement of a business dispute in our Rural Infrastructure operating segment in the first quarter of 2010. Purchased services increased by $3.5 million in the first six months of 2010 largely due to costs associated with efforts to more closely align our loan processing practices with our enterprise-wide risk management objectives and to enhance the overall customer experience. Partially offsetting these items was a $22.3 million decrease in insurance premiums assessed by the Insurance Corporation. In the second quarter of 2010, the Insurance Corporation reduced full-year 2010 premiums to five basis points of average outstanding insured debt obligations from the 10 basis points it had initially set for 2010. Premium rates were 20 basis points for all of 2009.

Our income tax expense decreased to $78.4 million for the six months ended June 30, 2010, as compared to $86.4 million for the same prior-year period. Our effective tax rate was 19.7 percent and 21.5 percent for the six months ended June 30, 2010 and 2009, respectively. The decrease in the effective tax rate primarily resulted from increased earnings in the tax-exempt portion of CoBank's business activities.

Our annualized return on average common shareholders' equity decreased to 16.61 percent for the six months ended June 30, 2010 from 18.90 percent for the same period in 2009. This decrease primarily resulted from capital growth due to strong 2009 earnings. Our annualized return on average assets increased to 1.11 percent for the six months ended June 30, 2010, as compared to 1.03 percent for the same period in 2009, due primarily to higher noninterest income and lower assets.

For the three months ended June 30, 2010, net income decreased to $150.4 million from $156.1 million for the same prior-year period. The decrease is primarily due to a reduction in net interest income of $21.8 million and a $6.7 million decrease in noninterest income. The decrease in net interest income is reflective of lower net interest margin and lower loan volume, as previously discussed. Noninterest income decreased primarily due to impairment losses of $11.0 million related to a limited number of investment securities, as more fully discussed on page 10. No such impairment losses were recorded in the second quarter of 2009. A $12.3 million decrease in noninterest expenses, due largely to the reduction in 2010 Insurance Fund premium rates noted above, and a $6.0 million decrease in the provision for loan losses partially offset these items.

Operating Segment Financial Review

We provide domestic and international financial solutions to farmer-owned cooperatives; farmer-owned financial institutions; energy, communications and water customers; and other related businesses that serve rural America. We conduct lending operations through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

Loans outstanding, net of allowance for loan losses, by operating segment at June 30, 2010 and 2009 are reported in Note 9 to the accompanying condensed consolidated financial statements. Net income by operating segment is summarized in the accompanying table and is more fully detailed in Note 9 to the accompanying 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 operating segments, whereas the underlying investment assets are not allocated.

Net Income by Operating Segment ($ in Thousands)

For the Six Months Ended June 30,	2010	2009
Operating Segment:		
Agribusiness	**$ 189,923**	$ 154,748
Strategic Relationships	**44,929**	57,975
Rural Infrastructure	**88,237**	105,319
Total Operating Segments	**323,089**	318,042
Corporate/Other	**(4,058)**	(2,048)
Total	**$ 319,031**	$ 315,994

Agribusiness

The Agribusiness operating segment includes our banking groups providing financial solutions to cooperatives and other businesses engaged in agricultural activities such as grain handling and marketing, farm supply, food processing, dairy, livestock, fruits, nuts, vegetables, cotton, biofuels and forest products. Our Agribusiness segment includes our International Division, which provides short-term and medium-term trade finance to support the export of U.S. agricultural products. As of June 30, 2010, we had $4.1 billion in international loans, 92 percent of which were guaranteed by the U.S. government. Our Agribusiness segment also includes Farm Credit Leasing Services Corporation, which provides lease-related financial services to Association partners, agribusinesses, agricultural producers and rural utilities.

Average Agribusiness loan volume decreased during the first six months of 2010 to $17.6 billion from $19.9 billion for the same period of 2009. The decrease primarily resulted from lower prices for agricultural commodities and inputs, as well as lower inventory levels at cooperatives. Prices for agricultural commodities and inputs have declined as a result of a number of factors, including reduced demand due to weak global economic conditions. Generally, higher prices for agricultural commodities and inputs lead to increased financing requirements for many of our customers who borrow to finance inventory purchases and receivables.

Agribusiness net income increased 23 percent in the first six months of 2010 to $189.9 million from $154.7 million for the same period in 2009. This increase resulted primarily from a $32.5 million change in the provision for loan losses and a $17.8 million increase in noninterest income. Agribusiness recorded a reversal in the reserve for credit exposure of $5.5 million during the first six months of 2010, as compared to a provision for loan losses of $27.0 million in the same prior-year period. The current period reversal reflects a modest improvement in Agribusiness loan quality and a lower overall level of loss exposure. Agribusiness recorded net charge-offs of $15.0 million for the six months ended June 30, 2010 compared to $17.8 million for the same period of 2009. Nonaccrual loans were $199.7 million at June 30, 2010 compared to $209.1 million at December 31, 2009.

Noninterest income increased to $46.4 million for the first six months of 2010, as compared to $28.7 million in the same prior-year period, primarily due to the refunds of a portion of Insurance Fund premiums paid in prior years, as previously described on page 5, and, to a much lesser extent, increased arrangement fees. Agribusiness operating expenses decreased to $51.3 million for the first six months of 2010 from $65.4 million in the 2009 period largely due to the lower Insurance Fund premium rate in effect for 2010. Agribusiness net interest income decreased by $27.6 million and partially offset the aforementioned items. The decrease in net interest income resulted from lower loan volume and the previously-noted decreased benefit of our asset/liability position during 2010, somewhat offset by increased lending spreads.

Strategic Relationships

The Strategic Relationships operating segment includes all loans from the direct funding relationships we have with our four affiliated Association customer-owners (Northwest Farm Credit Services, Farm Credit East, Yankee Farm Credit and Farm Credit of Maine) and the funding relationships with other System institutions. As of June 30, 2010, the Strategic Relationships portfolio included $10.9 billion in loans to our four affiliated Associations and $4.0 billion of participations in loans made by other System banks to certain of their affiliated Associations, including $3.4 billion of participations in loans made by the Farm Credit Bank of Texas.

Strategic Relationships average loan volume was $15.0 billion for the first six months of 2010, compared to $14.8 billion during the same period of 2009. The increase in average loan volume primarily reflects modest loan growth at our two largest affiliated Associations. The credit quality of many of the Associations' underlying retail loan portfolios has declined over the past year. As more fully discussed on page 9, the credit quality classification of loans to two nonaffiliated Associations was downgraded in the second quarter of 2010 to the 'Other Assets Especially Mentioned' category. As a wholesale lender to Association customers, we benefit from the diversification of the Association loan portfolios and our strong collateral position. In addition, the earnings, capital and loan loss reserves of the Associations provide us a buffer from losses in their respective loan portfolios. As a result, the overall loan quality in our Strategic Relationships portfolio, while somewhat lower than it was a year ago, remains good. Lower margins in the Strategic Relationships operating segment are commensurate with the lower risk profile and lower regulatory capital requirements.

Strategic Relationships net income decreased 23 percent to $44.9 million for the first six months of 2010 from $58.0 million for the same prior-year period. The decrease in earnings was primarily due to a $15.0 million decline in net interest income resulting from the previously-noted decreased benefit of our asset/liability position during 2010. Strategic Relationships 2010 operating results did not benefit from the refunds of a portion of Insurance Fund premiums paid in prior years as such amounts were passed on to our Association customers.

Rural Infrastructure

The Rural Infrastructure operating segment includes our banking groups providing 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, data transport networks, cable television systems, and water and wastewater companies.

Rural Infrastructure average loan volume increased to $11.4 billion for the first six months of 2010 from $11.1 billion for the same period in 2009. Growth in Rural Infrastructure average loan volume resulted from increased lending activity in the generation and transmission and electric distribution sectors primarily driven by capital expenditures on long-term plant enhancements and loans to new customers.

Rural Infrastructure net income decreased 16 percent to $88.2 million for the first six months of 2010 from $105.3 million for the same period in 2009. Lower earnings included a $22.0 million provision for loan losses in the 2010 period, as compared to a $3.0 million provision in the same period of 2009. The 2010 provision for loan losses resulted from credit challenges related to a limited number of rural energy customers. Notwithstanding these specific customer challenges, the overall loan quality of our rural energy portfolio remains strong. Nonaccrual loans in the Rural Infrastructure segment decreased to $72.4 million at June 30, 2010 from $98.5 million at December 31, 2009, primarily due to the sale of certain nonaccrual loans in the communications sector. Rural Infrastructure recorded recoveries, net of charge-offs, of $3.5 million for the six months ended June 30, 2010 compared to net charge-offs of $14.4 million for the same period of 2009. The net recoveries in the 2010 period primarily reflect the recovery of charge-offs on loans to a limited number of communications customers, partially offset by a charge-off related to a rural energy customer. The 2009 net charge-offs related to a limited number of communications customers.

The decline in Rural Infrastructure earnings for the first six months of 2010 also included an $18.6 million increase in operating expenses. The increase in operating expenses primarily resulted from the settlement of a business dispute in the first quarter of 2010, which was partially offset by the benefit of the lower Insurance Fund premium rate. Net interest income declined slightly to $155.1 million for the 2010 period as compared to $155.9 million in the prior year. The decreased benefit of our asset/liability position more than offset greater net interest income related to increased volume and higher overall lending spreads. Noninterest income improved $12.5 million as a result of the refunds of a portion of Insurance Fund premiums paid in prior years and, to a lesser extent, increased arrangement fees.

Credit Quality, Liquidity, Capital Resources and Other

Loan Quality

The following table presents loans and related accrued interest classified pursuant to our regulator's Uniform Loan Classification System, as a percent of total loans and related accrued interest.

Loan Quality Ratios

	June 30, 2010	December 31, 2009
Acceptable	**94.88%**	95.83%
Other Assets Especially Mentioned	**3.38**	2.00
Substandard	**1.59**	2.02
Doubtful	**0.15**	0.15
Loss	**-**	-
Total	**100.00%**	100.00%

Overall credit quality has stabilized and, in some sectors, improved over the past several months. Adverse assets declined to 1.74 percent of total loans and related accrued interest at June 30, 2010 compared to 2.17 percent at December 31, 2009. Nonaccrual loans also improved, to $272.1 million at June 30, 2010 from $307.6 million at December 31, 2009, primarily due to the sale of certain nonaccrual loans in the communications sector, as noted previously. We recorded a $16.5 million provision for loan losses for the six months ended June 30, 2010, largely due to challenges facing a limited number of rural energy customers. However, the overall loan quality of our rural energy portfolio remains strong. Net charge-offs for the first six months of 2010 totaled $11.4 million and were primarily associated with a limited number of agribusiness and rural energy customers, partially offset by recoveries in our communications portfolio. Our total reserve for credit exposure increased to $503.3 million at June 30, 2010, representing 1.19 percent of total loans at June 30, 2010 compared to 1.13 percent at December 31, 2009 and 1.07 percent at June 30, 2009. At June 30, 2010, our reserve for credit exposure represented 2.13 percent of non-guaranteed loans outstanding when loans to Associations are excluded.

As depicted in the preceding loan quality table, the level of 'Other Assets Especially Mentioned' increased from 2.0 percent of total loans and related accrued interest at December 31, 2009 to 3.4 percent as of June 30, 2010. The increase includes downgrades in the credit quality classification of $640.0 million of participations in the direct loans made by another System bank to two of its affiliated Associations. One of these Associations was in violation of certain minimum earnings and asset quality ratios contained in its general financing agreement with its funding bank, for which the funding bank has provided a waiver. As noted previously, we have a strong collateral position in the assets of our Association borrowers, and the earnings, capital and reserves of the Associations serve as an additional layer of protection against losses. As a result, while the downgrades reflect credit deterioration in the underlying retail loans held by these Associations, they are not indicative of an increased risk of loss related to our wholesale Association loans. No provision for loan losses or reserve for credit exposure has been recorded related to any Association loans.

Liquidity and Investments

Our liquidity management objectives are designed to meet maturing debt obligations, provide a reliable source of funding to borrowers, provide additional liquidity if market conditions deteriorate for a period of time, and fund our operations on a cost-effective basis. While we believe that sufficient resources are available to meet liquidity management objectives through our debt maturity structure, cash and investment holdings, and access to the agency market via the Federal Farm Credit Banks Funding Corporation, the volatility of our loan volume could cause our liquidity to vary significantly from day to day.

As a result of the significant disruption in debt funding markets that began in 2008 and our commitment to meet the needs of our customers, we enhanced our liquidity by issuing longer-term debt and holding higher levels of liquid assets, including cash and short-dated U.S. Treasury securities. During the first six months of 2010, we averaged 258 days liquidity, compared to the regulatory minimum of 90 days. At June 30, 2010, our liquidity was 294 days, compared to 238 days at December 31, 2009 and 310 days at June 30, 2009. As global credit markets continue to stabilize, we expect to adjust our liquidity position closer to our management target of 180 days over the balance of 2010. During 2010, we and the other System banks implemented an enhanced liquidity framework wherein we now maintain a higher level of U.S. Treasuries and other U.S. government-guaranteed securities.

We hold cash and investment securities to maintain a liquidity reserve and to manage short-term surplus funds. Our investment securities totaled $12.9 billion at June 30, 2010 compared to $11.8 billion at December 31, 2009. The following table summarizes our investment securities and related unrealized gains/losses by asset class.

Investment Securities ($ in Millions)

	As of June 30, 2010			As of December 31, 2009		
	Amortized Cost	Fair Value	Unrealized Gains (Losses)	Amortized Cost	Fair Value	Unrealized Gains (Losses)
U.S. Treasury and Agency Debt	**$ 5,212**	**$ 5,261**	**$ 49**	$ 3,314	$ 3,321	$ 7
U.S. Agency Mortgage-Backed	**6,909**	**7,051**	**142**	7,616	7,740	124
Non-Agency Mortgage-Backed	**548**	**494**	**(54)**	656	574	(82)
Asset-Backed	**191**	**137**	**(54)**	225	173	(52)
Total	**$ 12,860**	**$ 12,943**	**$ 83**	$ 11,811	$ 11,808	$ (3)

We do not intend to sell the securities in unrealized loss positions and it is not likely that we will be required to sell such securities for regulatory, liquidity or other purposes before a recovery of our cost basis occurs. Therefore, with the exception of four securities discussed below, we do not consider these investments to be other-than-temporarily impaired at June 30, 2010. We regularly perform impairment assessments of our investment securities based on evaluations of both current and future market and credit conditions. Subsequent changes in market or credit conditions could change these evaluations.

As all of our investment securities are classified as "available for sale", we recognize changes in the fair value of our investment securities in accumulated other comprehensive income (loss), a component of shareholders' equity, unless losses are credit-related and considered other-than-temporary, in which case that portion of the loss is recorded in earnings. We recorded unrealized gains of $86.0 million ($53.3 million net of tax) for the first six months of 2010, compared to $83.4 million ($51.7 million net of tax) for the same prior-year period. The unrealized gains in both periods primarily relate to the impact of interest rate changes on the values of certain fixed-rate securities.

Credit risk in our investment portfolio is primarily limited to the 6 percent of investment securities that do not contain either an implied or explicit guarantee of the U.S. government, consisting of non-agency mortgage-backed securities and asset-backed securities (ABS). The unrealized losses on such securities primarily relate to decreased market liquidity and widened credit spreads. As a result of deteriorating collateral performance, we recorded $14.0 million in impairment losses in the first six months of 2010, including $11.0 million in the second quarter of 2010. The impairment losses related to two non-agency mortgage-backed securities and two ABS, and totaled $2.6 million and $11.4 million, respectively, for the six months ended June 30, 2010.

As of June 30, 2010, all of our ABS are composed of home equity securities. These securities are supported by first- or second-lien mortgages and the substantial majority of them are insured by two bond insurance companies that have come under financial pressure. We have determined that we can no longer rely on one of these insurers to fulfill its contractual obligations. Further significant deterioration in the financial condition of the other insurer would likely lead to a conclusion that we could also no longer rely on it to fulfill its contractual obligations, requiring us to record an impairment loss in earnings for our ABS insured by that company. Increasing levels of defaults and foreclosures on home mortgages, continued high unemployment and weak economic conditions may result in further downward adjustments to the fair value of our non-agency mortgage-backed securities and ABS and the need to record additional impairment losses in earnings.

Farm Credit Administration (FCA) regulations require that mortgage- and asset-backed securities be triple-A rated by at least one major rating agency in order to be included as part of our liquidity reserve. The following table summarizes the securities which have been downgraded below triple-A, including those that are rated triple-A by one major rating agency but have been downgraded by another agency. Our non-triple-A rated securities represent 4 percent of our total investment securities as of June 30, 2010. The ratings listed in the following table are based on the highest rating received by at least one major rating agency.

Downgraded Investment Securities ($ in Millions)			
As of June 30, 2010	Number of Positions	Amortized Cost	Fair Value
Asset-Backed Securities			
AAA/Aaa	1	$ 6	$ 5
BB/Ba	5	109	69
B	1	5	3
CCC/Caa	1	60	54
CC/Ca	1	11	6
Non-Agency Securities			
AAA/Aaa	10	84	78
AA/Aa	3	20	16
BBB/Baa	1	11	9
BB/Ba	1	27	25
B	4	53	43
CCC/Caa	4	97	80
Total	32	$ 483	$ 388

We have received permission from our regulator to continue to hold all securities which are no longer rated triple-A by at least one major rating agency.

Capital Resources

We are primarily capitalized by holders of our common and preferred stock and by unallocated retained earnings. At June 30, 2010, our permanent capital, total surplus, core surplus and net collateral ratios exceeded the regulatory minimums, as depicted in the following table. The components of these ratios are described in our 2009 Annual Report.

Capital Ratios			
	Regulatory Minimums	June 30, 2010	December 31, 2009
Permanent Capital Ratio	7.0%	**16.37%**	15.29%
Total Surplus Ratio	7.0	**15.97**	15.01
Core Surplus Ratio	3.5	**9.47**	8.77
Net Collateral Ratio	104.0*	**108.85**	108.67

* The regulatory minimum net collateral ratio is 103.0 percent, but the FCA requires the higher 104.0 percent during the period in which we have Series A preferred stock or subordinated debt outstanding.

In July 2010, the FCA issued an Advance Notice of Proposed Rulemaking on capital adequacy, which could ultimately lead to significant changes in the System's regulatory capital rules, including the treatment of a portion of our common stock as core surplus. Any material changes resulting from the process initiated by the proposed rulemaking will be fully disclosed in future reports.

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 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. Net changes in the fair value of derivatives and hedged items recorded in the consolidated statements of income totaled gains of $1.0 million and $9.5 million in the first six months of 2010 and 2009, respectively. The drop in short-term market interest rates across year-end 2008 and into early 2009 created short-term losses on the fair values of certain hedging relationships in late 2008, followed by gains in early 2009 as floating rates on derivatives reset and interest rate levels stabilized. Changes in the fair value of derivatives recorded in other comprehensive income (loss) totaled a loss of $4.7 million, net of tax, and a gain of $2.2 million, net of tax, in the first six months of 2010 and 2009, respectively.

Collateral Related to Derivatives

Our derivative contracts require the Bank or our counterparties to post cash or securities as collateral when the fair values of the derivatives move based on changes in interest rates. The collateral exchanged between parties is limited by contractual posting thresholds that vary by counterparty. As a result of these derivative contracts, we are exposed to liquidity risk when changes in interest rates require us to post collateral to our counterparties. As of June 30, 2010, our counterparties had posted $1.1 billion in cash and $99.3 million in securities as collateral with us. At June 30, 2010, a 200 basis point parallel increase in the USD LIBOR/swap curve would have required us to return substantially all of the collateral currently posted with us by our counterparties, which would reduce our days liquidity. Further increases in interest rates would require us to post collateral with our counterparties, which would also reduce our net collateral ratio. However, we anticipate that in any such scenario both our days liquidity and net collateral ratio would remain above our management target and regulatory minimum.

Business Outlook

We are committed to continuing our strong financial and operating performance, fulfilling our mission to serve rural America's vital industries and being the preferred provider of financial solutions to our customers to enhance their business success.

Our continued success will be achieved by delivering on our value proposition, creating opportunities to partner with other System institutions, increasing market share, maintaining effective access to the agency debt capital markets, optimizing current lending authorities and pursuing various strategic alliances with other financial services organizations.

Continued weakness in many parts of the global economy and volatile capital markets are expected to continue to affect our business in the following areas:

- The credit quality of our lending portfolio could decline as economic challenges continue to affect our customers;
- Our non-agency mortgage-backed and asset-backed investment securities could experience further losses due to increasing levels of defaults and foreclosures on home mortgages;
- Our asset-backed securities could also experience losses from a further decline in the creditworthiness of bond insurers who insure certain of these investment securities; and
- Our ability to issue debt structures across the yield curve has stabilized but certain types of debt continue to experience higher and more volatile costs.

Notwithstanding the conditions noted above, we are well capitalized and our liquidity position remains strong. In addition, the Bank generates a robust and well-diversified stream of earnings. We will continue our disciplined credit analysis and will closely monitor asset quality while emphasizing effective enterprise-wide management of credit, interest rate, liquidity and operational risks. We will also continue to enhance our financial condition through prudent expense discipline and the retention of a portion of our earnings.

In March of 2010, the board of directors of U.S. AgBank, FCB, one of the five System banks, approved a plan to analyze the long-term strategic direction of U.S. AgBank. As part of the plan, U.S. AgBank chose to evaluate CoBank as a potential merger partner. We have responded to their request for information on how a merger would enhance shareholder value and our combined ability to serve rural America. U.S. AgBank expects to make a decision regarding its strategic direction in the fourth quarter of 2010. Any such merger would be subject to the approval of both banks' shareholders as well as our regulator. U.S. AgBank had total assets in excess of $24.8 billion and capital in excess of $1.2 billion at June 30, 2010.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law. The System's regulatory structure remains unchanged as the System will not be subject to the new regulatory oversight authorities created by the new law. However, the new law contains mandatory derivatives clearing requirements that may ultimately be applicable to CoBank and other System entities. In the event that CoBank is required to transact its derivatives through a clearinghouse, our net funding costs could increase.

We believe CoBank continues to experience opportunities across all the industries we serve. Under the guidance of our Board of Directors and through the focus of a proven executive management team, we look forward to continuing to deliver on our value proposition on behalf of our customers and to fulfilling our mission as a dependable and strategic source of credit and financial services to the nation's rural economy.

Forward-Looking Statements

Certain of the statements contained in this 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, energy, communications, water, international, financing and leasing sectors;
- Weak U.S. and global economic conditions;
- Legislative and regulatory actions;
- Government policies and developments in the U.S. and other countries in which we make loans;
- The effect of banking and financial services reforms;
- Possible amendments to, and interpretations of, risk-based capital guidelines;
- Environmental-related conditions or laws affecting our lending activities;
- Changes in the U.S. government's support of the agriculture industry;
- Actions taken by the U.S. Congress relative to government sponsored enterprises;
- Actions taken by the U.S. government to manage the economic downturn;
- Actions taken by the Federal Reserve to manage the monetary policy of the U.S.;
- The level of interest rates;
- Changes in assumptions underlying the valuations of financial instruments;
- Changes in the bases for our estimates underlying the reserve for credit exposure;
- Credit performance of the loan 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 resolution of legal proceedings and related matters;
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur that affect agricultural productivity and income;
- 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) (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Interest Income				
Loans	**$ 332,991**	$ 372,439	**$ 672,432**	$ 756,738
Investment Securities	**65,233**	85,847	**132,936**	176,541
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	**-**	3	**1**	55
Total Interest Income	**398,224**	458,289	**805,369**	933,334
Interest Expense	**180,321**	218,610	**356,746**	440,397
Net Interest Income	**217,903**	239,679	**448,623**	492,937
Provision for Loan Losses	**4,000**	10,000	**16,500**	30,000
Net Interest Income After Provision for Loan Losses	**213,903**	229,679	**432,123**	462,937
Noninterest Income / Expense				
Net Fee Income	**24,134**	19,059	**46,487**	38,298
Prepayment Income	**1,403**	1,801	**3,844**	3,996
Losses on Early Extinguishments of Debt	**(1,773)**	(2,497)	**(3,767)**	(4,127)
Total Other-Than-Temporary Impairment Losses	**(3,470)**	-	**(4,799)**	-
Portion of Loss Recognized in Other Comprehensive Loss	**(7,530)**	-	**(9,201)**	-
Net Other-Than-Temporary Impairment Losses Included in Earnings	**(11,000)**	-	**(14,000)**	-
Other, Net	**3,593**	4,698	**42,554**	7,254
Total Noninterest Income	**16,357**	23,061	**75,118**	45,421
Noninterest Expenses				
Employee Compensation	**23,203**	26,168	**46,874**	49,738
General and Administrative	**5,413**	3,654	**30,468**	6,808
Insurance Fund Premium	**(76)**	14,433	**6,126**	28,432
Information Services	**3,621**	3,423	**7,333**	6,832
Occupancy and Equipment	**1,642**	1,797	**3,194**	3,528
Farm Credit System Related	**1,739**	1,641	**3,537**	3,351
Purchased Services	**4,580**	1,958	**6,624**	3,082
Other	**2,923**	2,286	**5,668**	4,186
Total Noninterest Expenses	**43,045**	55,360	**109,824**	105,957
Income Before Income Taxes	**187,215**	197,380	**397,417**	402,401
Provision for Income Taxes	**36,843**	41,243	**78,386**	86,407
Net Income	**$ 150,372**	$ 156,137	**$ 319,031**	$ 315,994

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

Condensed Consolidated Balance Sheets
CoBank, ACB

($ in Thousands)

	June 30, 2010 *(Unaudited)*	December 31, 2009
Assets		
Total Loans	**$ 42,315,617**	$ 44,174,464
Less: Allowance for Loan Losses	**381,515**	369,817
Net Loans	**41,934,102**	43,804,647
Cash	**1,631,892**	923,083
Investment Securities	**12,943,272**	11,808,207
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	**-**	5,000
Interest Rate Swaps and Other Financial Instruments	**1,223,005**	984,074
Accrued Interest Receivable and Other Assets	**631,556**	635,691
Total Assets	**$ 58,363,827**	$ 58,160,702
Liabilities		
Bonds and Notes	**$ 52,151,826**	$ 51,911,314
Subordinated Debt	**1,000,000**	1,000,000
Interest Rate Swaps and Other Financial Instruments	**88,193**	123,379
Accrued Interest Payable and Other Liabilities	**743,619**	940,007
Reserve for Unfunded Commitments	**121,751**	128,373
Total Liabilities	**54,105,389**	54,103,073
Commitments and Contingencies (Note 8)		
Shareholders' Equity		
Preferred Stock	**700,000**	700,000
Common Stock	**1,518,488**	1,520,054
Unallocated Retained Earnings	**2,025,222**	1,871,986
Accumulated Other Comprehensive Income (Loss)	**14,728**	(34,411)
Total Shareholders' Equity	**4,258,438**	4,057,629
Total Liabilities and Shareholders' Equity	**$ 58,363,827**	$ 58,160,702

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

Condensed Consolidated Statements of Cash Flows

CoBank, ACB

($ in Thousands) (Unaudited)

For the Six Months Ended June 30,	2010	2009
Cash Flows Provided by Operating Activities		
Net Income	**$ 319,031**	$ 315,994
Adjustments to Reconcile Net Income to Net Cash		
Provided By Operating Activities:		
Provision for Loan Losses	**16,500**	30,000
Deferred Income Taxes	**(35,597)**	20,403
Depreciation and Amortization/Accretion, Net	**1,422**	(5,574)
Losses on Impairment of Available for Sale Investments	**14,000**	-
Decrease (Increase) in Accrued Interest Receivable and Other Assets	**7,168**	(118,055)
Decrease in Accrued Interest Payable and Other Liabilities	**(89,692)**	(62,018)
Net Gains on Interest Rate Swaps and Other Financial Instruments	**(528)**	(9,503)
Proceeds from Termination of Interest Rate Swaps	**-**	7,222
Other	**(7,007)**	(80)
Net Cash Provided by Operating Activities	**225,297**	178,389
Cash Flows Provided by (Used in) Investing Activities		
Net Decrease (Increase) in Loans	**1,849,212**	(343,299)
Net Increase in Investment Securities	**(1,068,959)**	(902,520)
Net Decrease in Federal Funds Sold, Securities Purchased Under		
Resale Agreements and Other	**5,000**	-
Net Cash Provided by (Used in) Investing Activities	**785,253**	(1,245,819)
Cash Flows (Used in) Provided by Financing Activities		
Net (Retirements) Issuances of Bonds and Notes	**(39,977)**	2,055,812
Net Retirements of Common Stock	**(43,925)**	(7,468)
Cash Patronage Distribution Paid	**(185,940)**	(209,565)
Preferred Stock Dividends Paid	**(31,899)**	(29,721)
Net Cash (Used in) Provided by Financing Activities	**(301,741)**	1,809,058
Net Increase in Cash	**708,809**	741,628
Cash at Beginning of Period	**923,083**	3,127,204
Cash at End of Period	**$ 1,631,892**	$ 3,868,832
Supplemental Disclosures:		
Schedule of Noncash Investing and Financing Activities		
Net Change in Accrued Securities Purchases	**$ 6,002**	$ -
Net Change in Unrealized Losses/Gains on Investment		
Securities, Before Taxes	**86,036**	83,377
Net Change in Unrealized Losses/Gains on Interest Rate		
Swaps and Other Financial Instruments, Before Taxes	**(7,589)**	3,505
Patronage in Common Stock	**42,359**	44,618

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) (Unaudited)

For the Six Months Ended June 30,	2010	2009
Balance at Beginning of Period	**$ 4,057,629**	$ 3,594,849
Comprehensive Income:		
Net Income	**319,031**	315,994
Other Comprehensive Income (Loss), Net of Taxes:		
Net Change in Unrealized Losses/Gains on Investment Securities Not Other-Than-Temporarily Impaired	**48,250**	51,694
Other-Than-Temporarily Impaired Investment Securities	**5,092**	-
Net Change in Unrealized Losses/Gains on Interest Rate Swaps and Other Financial Instruments	**(4,705)**	2,173
Net Pension Adjustment	**502**	299
Comprehensive Income	**368,170**	370,160
Preferred Stock Dividends	**(31,899)**	(29,721)
Common Stock Issued	**55**	58
Common Stock Retired	**(43,980)**	(7,526)
Cash Patronage	**(91,537)**	(95,732)
Balance at End of Period	**$ 4,258,438**	$ 3,832,088

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

Note 1 – Organization, Lending Authority and Significant Accounting Policies

The accompanying 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 six months ended June 30, 2010 are not necessarily indicative of results to be expected for the entire fiscal year.

The accompanying 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 37 and 38 includes certain 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. Copies of financial reports of our affiliated Associations and the System are available on their respective websites.

These unaudited quarterly condensed consolidated financial statements should be read in conjunction with the 2009 Annual Report, which includes a description of our organization and lending authority. Also included in the 2009 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, 2009. These quarterly condensed consolidated financial statements have been prepared in accordance with these same accounting policies. Certain reclassifications have been made to amounts reported in the prior period to conform to the current period presentation.

We have evaluated subsequent events through August 4, 2010, which is the date the financial statements were issued.

Note 2 – Recently Issued or Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued provisions concerning accounting for transfers of financial assets. These provisions clarify whether a transferor has surrendered control over transferred financial assets, and establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. Enhanced disclosures are required for transfers of financial assets that are deemed to be secured borrowings and for a transferor's continuing involvement with transferred financial assets. The accounting requirements were effective for interim and annual reporting periods beginning after November 15, 2009, and are applicable to transfers occurring on or after the effective date. We adopted the new requirements in the first quarter of 2010. The adoption of these new provisions had no material impact on our consolidated financial position, results of operations or cash flows.

In the normal course of business, we provide servicing activities for certain parties to whom we have sold loan participations. Although such servicing qualifies as continuing involvement, our compensation for such servicing activities is market-based and approximates fair value. Servicing fees are immaterial to our consolidated results of operations; therefore, as permitted, we have not provided the further disclosures required under the new provisions.

Note 3 – Allowance for Loan Losses and Reserve for Unfunded Commitments

The following is a summary of changes in the allowance for loan losses and the reserve for unfunded commitments (together, the "Reserve for Credit Exposure") for the periods presented.

Reserve for Credit Exposure

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Allowance for Loan Losses, Beginning of Period	**$ 385,688**	$ 334,979	**$ 369,817**	$ 329,198
Provision for Loan Losses	**4,000**	10,000	**16,500**	30,000
Charge-offs	**(20,778)**	(4,894)	**(25,327)**	(34,038)
Recoveries	**11,480**	1,238	**13,903**	1,851
Transfer from Reserve for Unfunded Commitments	**1,125**	14,942	**6,622**	29,254
Allowance for Loan Losses, End of Period	**381,515**	356,265	**381,515**	356,265
Reserve for Unfunded Commitments, Beginning of Period	**122,876**	139,911	**128,373**	154,223
Transfer to Allowance for Loan Losses	**(1,125)**	(14,942)	**(6,622)**	(29,254)
Reserve for Unfunded Commitments, End of Period	**121,751**	124,969	**121,751**	124,969
Total Reserve for Credit Exposure	**$ 503,266**	$ 481,234	**$ 503,266**	$ 481,234

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

Impaired Loan Information

	June 30, 2010	December 31, 2009
Nonaccrual Loans	**$ 272,051**	$ 307,630
Accruing Loans 90 Days or More Past Due	**8,167**	15,235
Restructured Loans	**-**	-
Total Impaired Loans	**$ 280,218**	$ 322,865
Impaired Loans with Related Specific Allowance	**$ 223,498**	$ 231,871
Impaired Loans without Related Specific Allowance	**56,720**	90,994
Total Impaired Loans	**$ 280,218**	$ 322,865
Specific Allowance on Impaired Loans	**$ 68,422**	$ 65,812
Other Property Owned	**1,107**	280
For the Six Months Ended June 30,	**2010**	**2009**
Average Impaired Loans	**$ 299,283**	$ 260,517
Interest Income Recognized on Impaired Loans	**47**	192

Reserve for Credit Exposure as a Percentage of:	June 30, 2010	December 31, 2009
Total Loans	**1.19%**	1.13%
Impaired Loans	**180%**	154%
Nonaccrual Loans	**185%**	162%

There were $75.8 million in commitments to extend additional credit to borrowers whose loans were classified as impaired at June 30, 2010.

Note 4 – Investment Securities

A summary of the amortized cost and fair value of investment securities available-for-sale is as follows:

($ in Millions) June 30, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and Agency Debt	**$ 5,212**	**$ 51**	**$ (2)**	**$ 5,261**
U.S. Agency Mortgage-Backed	**6,909**	**150**	**(8)**	**7,051**
Non-Agency Mortgage-Backed	**548**	**1**	**(55)**	**494**
Asset-Backed	**191**	**-**	**(54)**	**137**
Total	**$ 12,860**	**$ 202**	**$ (119)**	**$ 12,943**

($ in Millions) December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and Agency Debt	$ 3,314	$ 12	$ (5)	$ 3,321
U.S. Agency Mortgage-Backed	7,616	150	(26)	7,740
Non-Agency Mortgage-Backed	656	-	(82)	574
Asset-Backed	225	-	(52)	173
Total	$ 11,811	$ 162	$ (165)	$ 11,808

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type at June 30, 2010 is as follows:

U.S. Treasury and Agency Debt Securities ($ in Millions) Contractual Maturity	Amortized Cost	Fair Value	Weighted Average Yield
In One Year or Less	$ 2,350	$ 2,350	0.20%
One to Five Years	2,362	2,371	0.81
Five to Ten Years	500	540	4.11
After Ten Years	-	-	-
Total	$ 5,212	$ 5,261	0.85

Mortgage-Backed Securities ($ in Millions)			
Contractual Maturity	Amortized Cost	Fair Value	Weighted Average Yield
In One Year or Less	$ -	$ -	-%
One to Five Years	167	169	2.12
Five to Ten Years	666	678	2.84
After Ten Years	6,624	6,698	2.71
Total	$ 7,457	$ 7,545	2.71

Asset-Backed Securities ($ in Millions)			
Contractual Maturity	Amortized Cost	Fair Value	Weighted Average Yield
In One Year or Less	$ -	$ -	-%
One to Five Years	-	-	-
Five to Ten Years	-	-	-
After Ten Years	191	137	4.54
Total	$ 191	$ 137	4.54

While the substantial majority of our mortgage-backed and asset-backed securities have contractual maturities in excess of 10 years, expected maturities for these securities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without penalties. The expected weighted-average life for our mortgage-backed securities and asset-backed securities was 2.1 years and 3.0 years, respectively, at June 30, 2010.

The following tables show the fair value and gross unrealized losses for investments in a loss position aggregated by investment category, and the length of time the securities have been in a continuous unrealized loss position at June 30, 2010 and December 31, 2009. The continuous loss position is based on the date the impairment first occurred. Unrealized loss positions related to these securities, including those impaired for longer than 12 months, resulted primarily from widened credit spreads and decreased liquidity in the broader financial markets.

($ in Millions)	Less Than 12 Months		12 Months or Greater	
June 30, 2010	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and Agency Debt	**$ -**	**$ -**	**$ 248**	**$ (2)**
U.S. Agency Mortgage-Backed	**666**	**(2)**	**1,324**	**(6)**
Non-Agency Mortgage-Backed	**-**	**-**	**446**	**(55)**
Asset-Backed	**-**	**-**	**137**	**(54)**
Total	**$ 666**	**$ (2)**	**$ 2,155**	**$ (117)**

($ in Millions)	Less Than 12 Months		12 Months or Greater	
December 31, 2009	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury and Agency Debt	$ 1,303	$ (5)	$ -	$ -
U.S. Agency Mortgage-Backed	329	(2)	2,537	(24)
Non-Agency Mortgage-Backed	9	-	559	(82)
Asset-Backed	-	-	170	(52)
Total	$ 1,641	$ (7)	$ 3,266	$ (158)

In the first six months of 2010, we recorded $14.0 million in other-than-temporary impairment losses in earnings related to four investment securities. We had previously recognized $15.0 million in impairment losses on three of these securities in 2009. The additional impairment losses in 2010 resulted from a decline in the performance of these securities' underlying collateral, which is composed of residential mortgages. As of June 30, 2010, with the exception of four impaired investments, we expect to collect all principal and interest payments on our investment securities. We do not intend to sell the securities in unrealized loss positions and it is not likely that we will be required to sell such securities for regulatory, liquidity or other purposes before a recovery of our cost basis occurs.

The following table details the activity related to the credit loss component of investment securities that have been written down for other-than-temporary impairment.

Credit Losses on Impaired Investments ($ in Millions)	
Balance at December 31, 2009	$ 15
Additional Credit Impairments Related to Securities Impaired as of December 31, 2009	12
Initial Credit Impairments Related to Securities Not Previously Impaired	2
Sales of Investments with Credit Impairments	-
Subsequent Accretion for Increases in Cash Flows Expected to be Collected	-
Balance at June 30, 2010	$ 29

For impaired investment securities, we estimate the component of unrealized losses attributable to credit losses using a third-party cash flow model. The model requires key assumptions related to underlying collateral, including the degree and timing of prepayments and defaults, and loss severity. Assumptions used are influenced by such factors as interest rates and the performance, type and age of collateral. For prepayment assumptions, we use the lower of the three- or six-month historical voluntary prepayment rate. Prepayment rates used ranged from 4 percent to 11 percent for impaired investment securities at June 30, 2010. We apply historical performance information to estimate future defaults using a default timing curve. Lifetime default rates ranged from 12 percent to 27 percent for impaired investment securities at June 30, 2010. Loss severity assumptions are based on actual performance, where available, or are obtained from an independent third-party. Loss severity ranged from 47 percent to 100 percent for impaired investment securities at June 30, 2010.

Note 5 – Derivative Financial Instruments and Hedging Activities

Risk Management Objectives and Strategies

We maintain an overall interest rate risk management strategy that incorporates the use of derivative financial instruments to manage liquidity and minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity by modifying the repricing frequency or effective maturity of certain balance sheet assets and liabilities. We also maintain a foreign exchange risk management strategy to reduce the impact of currency fluctuations on our relatively nominal amount of foreign currency-denominated loans. As a result of interest rate and foreign exchange rate fluctuations, fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities. Interest rate and foreign exchange fluctuations also cause interest income and interest expense of variable-rate assets and liabilities to increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities.

Uses of Derivatives

To achieve risk management objectives and satisfy the financing needs of our borrowers, we execute various derivative transactions with other financial institutions. Derivatives (primarily interest rate swaps) are used to manage liquidity and the interest rate risk arising from maturity and repricing mismatches between assets and liabilities. Under interest rate swap arrangements, we agree with a third party to exchange, at specified intervals, payment streams calculated on a specified notional amount, with at least one payment stream based on a specified floating-rate index. We use a variety of interest rate swaps including the exchange of floating-rate for fixed-rate swaps and fixed-rate for floating-rate swaps with payment obligations tied to specific indices. In addition, we execute foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. We also enter into derivatives for our customers as a service to enable them to transfer, modify or reduce their interest rate risk and foreign exchange risk by transferring such risk to us. We substantially offset this risk transference by concurrently entering into offsetting agreements with approved counterparties.

The notional amounts of derivatives at June 30, 2010 and related activity for the first six months of 2010 are shown in the following table.

Activity in the Notional Amounts of Derivative Financial Instruments

($ in Millions)	Swaps	Caps	Spots and Forwards	Total
December 31, 2009	$ 30,748	$ 1,600	$ 218	$ 32,566
Additions /Accretion	2,477	372	1,310	4,159
Maturities /Amortization	(2,041)	(11)	(1,349)	(3,401)
Terminations	(90)	-	-	(90)
June 30, 2010	$ 31,094	$ 1,961	$ 179	$ 33,234

Accounting for Derivative Instruments and Hedging Activities

We record derivatives as assets or liabilities at their fair value on the consolidated balance sheets. We record changes in the fair value of a derivative in current period earnings or accumulated other comprehensive income (loss), depending on the use of the derivative and whether it qualifies for hedge accounting. For fair-value hedge transactions that hedge changes in the fair value of assets or liabilities, changes in the fair value of the derivative will generally be offset in the income statement by changes in the hedged item's fair value attributable to the risk being hedged. For cash-flow hedge transactions, in which we hedge the variability of future cash flows related to a variable-rate asset or liability, changes in the fair value of the derivative are reported in accumulated other comprehensive income (loss). The gains and losses on the derivatives that we report in accumulated other comprehensive income (loss) will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. We record the ineffective portion of all hedges in current period earnings.

For our customer transactions, which are not designated as hedging instruments, we record the related changes in fair value in current period earnings. We substantially offset this risk transference by concurrently entering into offsetting agreements with approved counterparties, with the changes in fair value of these transactions also recorded in current period earnings.

Fair Value Hedges

The majority of the fair value hedging activity relates to entering into interest rate swaps to convert our non-prepayable fixed-rate debt to floating-rate debt to achieve our liquidity management strategy. The amount converted depends on contractual interest rates and maturities. For the remaining fair value hedges, we enter into receive-fixed, pay-floating swaps to align our equity positioning strategy with our risk management strategy. For fair value hedges, the amount of hedge ineffectiveness is recognized as net interest income in current period earnings.

Cash Flow Hedges

We purchase interest rate caps to hedge cap risk embedded within a portion of our floating-rate investment securities. The interest rate caps hedge floating-rate debt cash flows that fund the cash flows from floating-rate investment securities. If the strike rates in the purchased interest rate caps are exceeded, we receive cash flows on the derivative to hedge our floating-rate funding exposure above such strike levels. We also enter into foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. Typically, foreign currency contracts are purchased to fund the principal cash flows of the loan and simultaneously sold to lock in the principal and interest cash flows upon repricing or maturity date of the loan. For cash flow hedges, the amount of hedge ineffectiveness, the amount excluded from effectiveness assessment, and the amounts reclassified from accumulated other comprehensive income (loss) into current period earnings are all reflected in net interest income. At June 30, 2010, we expect that $1.8 million of expense will be reclassified from other comprehensive income into the income statement in the next 12 months, based on the anticipated cash flows of existing financial instruments. The maximum term over which we are hedging our exposure to the variability of future cash flows for all forecasted transactions is approximately seven years.

Derivatives Not Designated As Hedges

Derivative agreements with our customers and the related offsetting derivative agreements with approved counterparties are not designated as hedging instruments and do not receive hedge accounting treatment. Accordingly, any changes in the fair value of these customer-related derivatives are recognized immediately as noninterest income/expense in current period earnings.

Counterparty Credit Risk

The use of derivatives for risk management activities introduces credit risk related to counterparties and market risk related to movements in interest rates. Generally, when the fair value of a derivative contract is positive, the counterparty owes us, thus creating a performance risk. When the fair value of the derivative contract is negative, we owe the counterparty, and therefore assume no performance risk.

To minimize the risk of credit losses on derivative transactions, we deal exclusively with counterparties that have an investment grade or better credit rating from a major credit rating agency, and we closely monitor the credit standing and levels of exposure to individual counterparties. In addition, all derivative transactions are governed by master swap agreements, which include netting agreements. Our master agreements mitigate credit risk by requiring the net settlement of covered contracts with the same counterparty in the event of default by the other party. The "net" mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty. The credit risk is further mitigated by setting limits on the amount of net exposure to each respective counterparty, requiring collateral to support certain credit exposures, and establishing collateral posting thresholds. The master swap agreements also include bilateral collateral arrangements, while derivative agreements with our customers are secured through our loan agreements. We record derivative exposures and related cash collateral balances at gross amounts in our consolidated balance sheets. As of June 30, 2010, our counterparties had posted $1.1 billion in cash and $99.3 million in securities as collateral with us. The maximum amount of losses we could be exposed to in the event of nonperformance by the non-customer counterparties to our derivative positions, net of collateral held by us, was $65.1 million at June 30, 2010.

The following tables summarize the impact of derivative financial instruments on our consolidated balance sheets at June 30, 2010 and December 31, 2009.

Fair Value of Derivative Financial Instruments

As of June 30, 2010		Fair Value of Derivative Assets (1)		Fair Value of Derivative Liabilities (2)
Derivatives Designated as Hedging Instruments				
Interest Rate Contracts	**$**	**1,124,453**	**$**	**41**
Foreign Exchange Contracts		**622**		**739**
Total Derivatives Designated as Hedging Instruments	**$**	**1,125,075**	**$**	**780**
Derivatives Not Designated as Hedging Instruments				
Interest Rate Contracts	**$**	**92,858**	**$**	**82,588**
Foreign Exchange Contracts		**5,072**		**4,825**
Total Derivatives Not Designated as Hedging Instruments	**$**	**97,930**	**$**	**87,413**
Total Derivatives	**$**	**1,223,005**	**$**	**88,193**

(1) These assets make up the "Interest Rate Swaps and Other Financial Instruments" assets in the accompanying condensed consolidated balance sheet as of June 30, 2010

(2) These liabilities make up the "Interest Rate Swaps and Other Financial Instruments" liabilities in the accompanying condensed consolidated balance sheet as of June 30, 2010

Fair Value of Derivative Financial Instruments

As of December 31, 2009		Fair Value of Derivative Assets (1)		Fair Value of Derivative Liabilities (2)
Derivatives Designated as Hedging Instruments				
Interest Rate Contracts	$	902,717	$	55,364
Foreign Exchange Contracts		2,229		108
Total Derivatives Designated as Hedging Instruments	$	904,946	$	55,472
Derivatives Not Designated as Hedging Instruments				
Interest Rate Contracts	$	78,303	$	67,319
Foreign Exchange Contracts		825		588
Total Derivatives Not Designated as Hedging Instruments	$	79,128	$	67,907
Total Derivatives	$	984,074	$	123,379

(1) These assets make up the "Interest Rate Swaps and Other Financial Instruments" assets in the accompanying condensed consolidated balance sheet as of December 31, 2009

(2) These liabilities make up the "Interest Rate Swaps and Other Financial Instruments" liabilities in the accompanying condensed consolidated balance sheet as of December 31, 2009

The following tables summarize the effect of derivative financial instruments on our consolidated statements of income for the six months ended June 30, 2010 and 2009.

Derivative Financial Instruments in Fair Value Hedging Relationships

	Net Amount of Gain or (Loss) Recognized in Income on Derivative and Hedged Item (1)	
Six Months Ended June 30,	2010	2009
Interest Rate Contracts	**$ 1,711**	$ 8,794
Total	**$ 1,711**	$ 8,794

(1) Located in Interest Expense in the accompanying condensed consolidated statements of income

Derivative Financial Instruments in Cash Flow Hedging Relationships

Six Months Ended June 30, 2010	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Amount of Gain or (Loss) Reclassified from OCI to Income on Derivative (Effective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Assessment)
Interest Rate Contracts	**$ (7,427)**	**$ (578) (1)**	**$ -**
Foreign Exchange Contracts	**(2,237)**	**(1,498) (2)**	**(143) (2)**
Total	**$ (9,664)**	**$ (2,076)**	**$ (143)**

(1) Located in Interest Expense in the accompanying condensed consolidated statement of income for the six months ended June 30, 2010

(2) Located in Interest Income – Loans in the accompanying condensed consolidated statement of income for the six months ended June 30, 2010

Derivative Financial Instruments in Cash Flow Hedging Relationships

Six Months Ended June 30, 2009	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Amount of Gain or (Loss) Reclassified from OCI to Income on Derivative (Effective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Assessment)
Interest Rate Contracts	$ 5,174	$ (299) (1)	$ -
Foreign Exchange Contracts	4,492	6,461 (2)	(609) (2)
Total	$ 9,666	$ 6,162	$ (609)

(1) Located in Interest Expense in the accompanying condensed consolidated statement of income for the six months ended June 30, 2009

(2) Located in Interest Income – Loans in the accompanying condensed consolidated statement of income for the six months ended June 30, 2009

Derivative Financial Instruments not Designated as Hedging Relationships

	Net Amount of Gain or (Loss) Recognized in Income On Derivative (1)	
Six Months Ended June 30,	**2010**	**2009**
Interest Rate Contracts	**$ (713)**	$ 668
Foreign Exchange Contracts	**10**	18
Total	**$ (703)**	$ 686

(1) Located in Other Noninterest Income / Expense in the accompanying condensed consolidated statements of income

Note 6 – Fair Value Measurements

The fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability (an exit price) in active markets among willing participants at the reporting date. The FASB has established a three-level fair value hierarchy aimed at maximizing the use of observable inputs – that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability.

A description of the methods, assumptions and inputs to the valuation process used to determine or estimate the fair value of each class of financial instruments within the three-level hierarchy follows.

Level 1

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Our Level 1 assets at June 30, 2010 consist of U.S. Treasury investments and 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 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. Our Level 2 assets and liabilities at June 30, 2010 include our derivative contracts, collateral balances related to derivative contracts and investment securities, excluding U.S. Treasury investments and asset-backed securities.

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 use an income approach and incorporate benchmark interest rate curves (primarily the USD LIBOR/swap curve), volatilities, counterparty credit quality and other inputs that are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results. The fair value of collateral assets and liabilities related to derivative contracts is their face value, plus accrued interest, as these instruments are cash balances; therefore, fair value approximates face value.

The fair value of the majority of our investment securities is determined by a third-party pricing service that uses valuation models to estimate current market prices. Inputs and assumptions related to these models are typically observable in the marketplace. Such models incorporate prepayment assumptions and underlying collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities. These third-party valuation models 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 estimated fair values of investment securities also appear in Note 4.

Level 3

Level 3 inputs are unobservable and supported by limited or no market activity. Our Level 3 assets at June 30, 2010 include our asset-backed investment securities which are not issued or guaranteed by the U.S. government or its agencies. Based on the lack of active trading volume and an orderly market for asset-backed securities, we classified this portfolio as Level 3. Market values for such asset-backed securities are calculated internally using third-party models, with certain adjustments made in consideration of third-party pricing service results. Inputs into these valuation models include underlying collateral data and projected losses as well as information for prepayment speeds and discounting spreads. Due to the lack of marketplace information, the inputs into these valuation models primarily represent management assumptions, with some corroboration to observable market inputs.

Level 3 assets at June 30, 2010 also include $117.8 million of loans originally measured at cost, which were written down to fair value as a result of impairment, and $1.1 million of other property owned. The valuation of these assets requires a determination of the fair value of the underlying collateral, which may include the use of independent appraisals or other market-based information to develop a management estimate of fair value. As a result, these fair value measurements fall under Level 3 in the fair value hierarchy; however, they are excluded from the following tables because they are not measured on a recurring basis.

Our Level 3 liabilities at June 30, 2010 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 tables present the assets and liabilities that are measured at fair value on a recurring basis at June 30, 2010 and December 31, 2009 for each of the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of June 30, 2010 **($ in Millions)**	Level 1	Level 2	Level 3	Total
Assets				
Investment Securities:				
U.S. Treasury Debt	$ 2,754	$ -	$ -	$ 2,754
U.S. Agency Debt	-	2,507	-	2,507
U.S. Agency Mortgage-Backed	-	7,051	-	7,051
Non-Agency Mortgage-Backed	-	494	-	494
Asset-Backed	-	-	137	137
Interest Rate Swaps and Other Financial Instruments	-	1,223	-	1,223
Assets Held in Trust (included in Other Assets)	32	-	-	32
Collateral Assets (included in Other Assets)	-	9	-	9
Total Assets	$ 2,786	$ 11,284	$ 137	$ 14,207
Liabilities				
Interest Rate Swaps and Other Financial Instruments	$ -	$ 88	$ -	$ 88
Collateral Liabilities (included in Bonds and Notes)	-	1,115	-	1,115
Standby Letters of Credit (included in Other Liabilities)	-	-	10	10
Total Liabilities	$ -	$ 1,203	$ 10	$ 1,213

During the first six months of 2010, there were no transfers into or out of Level 1 or Level 2.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of December 31, 2009 ($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment Securities:				
U.S. Treasury Debt	$ 847	$ -	$ -	$ 847
U.S. Agency Debt	-	2,474	-	2,474
U.S. Agency Mortgage-Backed	-	7,740	-	7,740
Non-Agency Mortgage-Backed		574		574
Asset-Backed	-	-	173	173
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	-	5	-	5
Interest Rate Swaps and Other Financial Instruments	-	984	-	984
Assets Held in Trust (included in Other Assets)	32	-	-	32
Total Assets	$ 879	$ 11,777	$ 173	$ 12,829
Liabilities				
Interest Rate Swaps and Other Financial Instruments	$ -	$ 123	$ -	$ 123
Collateral Liabilities (included in Bonds and Notes)	-	914	-	914
Standby Letters of Credit (included in Other Liabilities)	-	-	10	10
Total Liabilities	$ -	$ 1,037	$ 10	$ 1,047

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

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

($ in Millions)	Asset-Backed Investment Securities	Standby Letters of Credit
Balance at December 31, 2008	$ 316	$ 7
Total Gains or Losses (Realized/Unrealized):		
Included in Other Noninterest Expense	-	-
Included in Other Comprehensive Income	(40)	-
Purchases, Sales, Issuances and Settlements, Net	(42)	2
Transfers into Level 2	(10)	-
Balance at June 30, 2009	$ 224	$ 9
Balance at December 31, 2009	**$ 173**	**$ 10**
Total Gains or Losses (Realized/Unrealized):		
Included in Other Noninterest Expense	**(11)**	**-**
Included in Other Comprehensive Income	**(2)**	**-**
Purchases, Sales, Issuances and Settlements, Net	**(23)**	**-**
Balance at June 30, 2010	**$ 137**	**$ 10**

Estimated Fair Value of Financial Instruments

The following table presents the estimated fair values of financial instruments that are recorded in the consolidated balance sheets at cost, as well as certain off-balance sheet financial instruments, as of June 30, 2010 and December 31, 2009.

Estimated Fair Value of Financial Instruments

($ in Millions)	June 30, 2010 Carrying Amount	June 30, 2010 Estimated Fair Value	December 31, 2009 Carrying Amount	December 31, 2009 Estimated Fair Value
Financial Assets:				
Net Loans	**$ 41,934**	**$ 43,157**	$ 43,805	$ 44,337
Financial Liabilities:				
Bonds and Notes	**$ 52,152**	**$ 53,241**	$ 51,911	$ 52,493
Subordinated Debt	**1,000**	**909**	1,000	877
Off-Balance Sheet Financial Instruments:				
Commitments to Extend Credit	**$ -**	**$ (79)**	$ -	$ (72)

Net Loans

Our loan portfolio includes fixed- and floating-rate loans. Since no active trading market exists for most of our loans, fair value is estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit risk.

Bonds and Notes

Bonds and notes are not all regularly traded in the secondary market and those that are traded may not have readily available quoted market prices. To the extent that quoted market prices are not readily available, the fair value of these instruments is estimated by discounting expected future cash flows based on the quoted market price of similar maturity U.S. Treasury notes, assuming a constant estimated yield spread relationship between Systemwide bonds and notes and comparable U.S. Treasury notes.

Subordinated Debt

The fair value of subordinated debt is estimated based upon quotes obtained from a broker/dealer.

Commitments to Extend Credit

The fair value of commitments is estimated by applying a risk-adjusted spread percentage to these obligations.

Note 7 – 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 a 401(k) retirement savings plan pursuant to which we match a certain percentage of employees' elective contributions. In addition, under this plan, employees hired on or after January 1, 2007 receive additional employer defined contributions. We also have a noncontributory, unfunded nonqualified supplemental executive retirement plan (SERP) covering substantially all senior officers and specified other senior managers, as well as a noncontributory unfunded nonqualified executive retirement plan (ERP) designed to provide enhanced retirement benefits to three of the senior officers employed pursuant to employment agreements. For eligible senior managers, including our senior officers, we also have a nonqualified deferred compensation plan, which includes benefits not provided under the employee savings plan due to certain Internal Revenue Code limitations.

All retirement-eligible employees are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other postretirement health care benefits. Participant contributions are adjusted annually.

We contributed $0.9 million to our funded qualified defined benefit pension plans during the six months ended June 30, 2010, and anticipate that we will contribute approximately $2.7 million more to such plans during the remainder of 2010. We expect to contribute a total of $0.3 million, net of collected retiree premiums, to our other postretirement benefit plans in 2010. We also expect to contribute approximately $1.5 million to our trust funds related to our SERP and ERP in 2010. Our actual contributions could differ from these estimates.

Note 8 – Commitments and Contingencies

At June 30, 2010, 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.

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 $176.8 billion at June 30, 2010.

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;
- 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 June 30, 2010, the assets of the insurance fund aggregated $3.2 billion; and
- Maintenance of certain financial criteria by agreements which, if not met, could limit or ultimately deny a troubled System bank's access to and participation in System debt issuances.

Note 9 – Segment Financial Information

We conduct our lending operations through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

The accompanying tables present condensed disaggregated information for the segments. Allocation of resources and corporate items, as well as measurement of financial performance, is 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, if any, 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 U.S. dollar-denominated and the majority of these loans are guaranteed by a U.S. government-sponsored loan guarantee program.

For both of the six-month periods ended June 30, 2010 and 2009, interest earned from an affiliated Association, Northwest, represented 10 percent of our gross interest income and less than 10 percent of our net interest income. No other customer made up 10 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 June 30, 2010

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	**$ 118,750**	**$ 22,342**	**$ 77,967**	**$ 219,059**	**$ (1,156)**	**$ 217,903**
Provision for Loan Losses	**500**	**-**	**3,500**	**4,000**	**-**	**4,000**
Noninterest Income	**12,454**	**166**	**4,429**	**17,049**	**(692)**	**16,357**
Operating Expenses	**26,033**	**3,150**	**12,034**	**41,217**	**1,828**	**43,045**
Provision for Income Taxes	**21,021**	**-**	**16,546**	**37,567**	**(724)**	**36,843**
Net Income	**$ 83,650**	**$ 19,358**	**$ 50,316**	**$ 153,324**	**$ (2,952)**	**$ 150,372**

For the Three Months Ended June 30, 2009

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	$ 134,321	$ 29,787	$ 76,265	$ 240,373	$ (694)	$ 239,679
Provision for Loan Losses	7,000	-	3,000	10,000	-	10,000
Noninterest Income	15,900	191	7,417	23,508	(447)	23,061
Operating Expenses	33,343	4,346	16,629	54,318	1,042	55,360
Provision for Income Taxes	27,291	-	13,912	41,203	40	41,243
Net Income	$ 82,587	$ 25,632	$ 50,141	$ 158,360	$ (2,223)	$ 156,137

For the Six Months Ended June 30, 2010

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	**$ 244,461**	**$ 51,203**	**$ 155,149**	**$ 450,813**	**$ (2,190)**	**$ 448,623**
Provision (Reversal) for Loan Losses	**(5,500)**	**-**	**22,000**	**16,500**	**-**	**16,500**
Noninterest Income	**46,409**	**366**	**28,511**	**75,286**	**(168)**	**75,118**
Operating Expenses	**51,349**	**6,640**	**49,138**	**107,127**	**2,697**	**109,824**
Provision for Income Taxes	**55,098**	**-**	**24,285**	**79,383**	**(997)**	**78,386**
Net Income	**$ 189,923**	**$ 44,929**	**$ 88,237**	**$ 323,089**	**$ (4,058)**	**$ 319,031**
Selected Financial Information ($ in Millions):						
Loans, Net of Allowance for Loan Losses at June 30, 2010	**$ 15,652**	**$ 14,983**	**$ 11,299**	**$ 41,934**	**$ -**	**$ 41,934**
Assets at June 30, 2010	**$ 15,752**	**$ 15,030**	**$ 11,356**	**$ 42,138**	**$ 16,226***	**$ 58,364**

*Includes the following:	
Investment Securities	**$ 12,943**
Other Assets	**3,283**

For the Six Months Ended June 30, 2009

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	$ 272,099	$ 66,174	$ 155,933	$ 494,206	$ (1,269)	$ 492,937
Provision for Loan Losses	27,000	-	3,000	30,000	-	30,000
Noninterest Income	28,651	390	15,982	45,023	398	45,421
Operating Expenses	65,385	8,589	30,568	104,542	1,415	105,957
Provision for Income Taxes	53,617	-	33,028	86,645	(238)	86,407
Net Income	$ 154,748	$ 57,975	$ 105,319	$ 318,042	$ (2,048)	$ 315,994
Selected Financial Information ($ in Millions):						
Loans, Net of Allowance for Loan Losses at June 30, 2009	$ 18,245	$ 15,157	$ 11,097	$ 44,499	$ -	$ 44,499
Assets at June 30, 2009	$ 18,392	$ 15,208	$ 11,155	$ 44,755	$ 17,958*	$ 62,713

*Includes the following:	
Investment Securities	$ 12,522
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	5
Other Assets	5,431

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 Combining Balance Sheets, Combining Statements of Income, ratios and other financial information on pages 37 and 38 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.

Results of Operations and Financial Condition

District net income increased to $424 million for the six months ended June 30, 2010 compared to $370 million during the same period in 2009. The combined net income of the Associations increased to $135 million for the six months ended June 30, 2010 compared to $85 million during the same period of 2009. The increase in combined Association net income was primarily the result of an improvement in net interest income, increased noninterest income and a decrease in the provision for loan losses. Greater Association net interest income of $20 million resulted from increased lending spreads, which are reflective of overall market conditions. Association noninterest income increased by $16 million largely due to refunds of a portion of Farm Credit insurance fund premiums paid in prior years, which, as noted previously, also favorably impacted CoBank's operating results for the first six months of 2010. The Associations' provision for loan losses decreased to $44 million in the first six months of 2010 compared to $60 million in the 2009 period, driven by a lower level of provisions at our largest affiliated Association. Notwithstanding the lower level of provisions in 2010, credit challenges in the dairy, timber and nursery industries could lead to a decline in the Associations' credit quality and an increase in provisions for loan losses.

As of June 30, 2010, the combined Associations' shareholders' equity was $2.1 billion and capital levels at all Associations were well in excess of minimum regulatory capital requirements.

Supplemental District Financial Information
CoBank, ACB and Affiliated Associations

Combining Balance Sheets (Condensed)
($ in Millions) (Unaudited)

As of June 30, 2010	CoBank	Combined Affiliated Associations	Eliminations	Combined CoBank District
Investments, Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	**$ 12,943**	**$ -**	**$ -**	**$ 12,943**
Loans	**42,316**	**12,684**	**(10,929)**	**44,071**
Less: Allowance for Loan Losses	**(382)**	**(154)**	**-**	**(536)**
Net Loans	**41,934**	**12,530**	**(10,929)**	**43,535**
Other Assets	**3,487**	**736**	**(547)**	**3,676**
Total Assets	**$ 58,364**	**$ 13,266**	**$ (11,476)**	**$ 60,154**
Bonds and Notes	**$ 53,152**	**$ 11,029**	**$ (10,968)**	**$ 53,213**
Reserve for Unfunded Commitments	**122**	**7**	**-**	**129**
Other Liabilities	**832**	**89**	**(35)**	**886**
Total Liabilities	**$ 54,106**	**$ 11,125**	**$ (11,003)**	**$ 54,228**
Total Shareholders' Equity	**$ 4,258**	**$ 2,141**	**$ (473)**	**$ 5,926**
Total Liabilities and Shareholders' Equity	**$ 58,364**	**$ 13,266**	**$ (11,476)**	**$ 60,154**

As of December 31, 2009	CoBank	Combined Affiliated Associations	Eliminations	Combined CoBank District
Investments, Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	$ 11,813	$ -	$ -	$ 11,813
Loans	44,174	12,805	(11,196)	45,783
Less: Allowance for Loan Losses	(370)	(151)	-	(521)
Net Loans	43,804	12,654	(11,196)	45,262
Other Assets	2,544	819	(595)	2,768
Total Assets	$ 58,161	$ 13,473	$ (11,791)	$ 59,843
Bonds and Notes	$ 52,911	$ 11,277	$ (11,239)	$ 52,949
Reserve for Unfunded Commitments	128	7	-	135
Other Liabilities	1,064	140	(80)	1,124
Total Liabilities	$ 54,103	$ 11,424	$ (11,319)	$ 54,208
Total Shareholders' Equity	$ 4,058	$ 2,049	$ (472)	$ 5,635
Total Liabilities and Shareholders' Equity	$ 58,161	$ 13,473	$ (11,791)	$ 59,843

Supplemental District Financial Information

CoBank, ACB and Affiliated Associations

Combining Statements of Income (Condensed)

($ in Millions) (Unaudited)

For the Six Months Ended June 30,	CoBank	Combined Affiliated Associations	Eliminations	Combined CoBank District
2010				
Net Interest Income	**$ 449**	**$ 197**	**$ -**	**$ 646**
Provision for Loan Losses	**17**	**44**	**-**	**61**
Noninterest Income	**75**	**69**	**(30)**	**114**
Noninterest Expense	**110**	**84**	**-**	**194**
Provision for Income Taxes	**78**	**3**	**-**	**81**
Net Income	**$ 319**	**$ 135**	**$ (30)**	**$ 424**
2009				
Net Interest Income	$ 493	$ 177	$ -	$ 670
Provision for Loan Losses	30	60	-	90
Noninterest Income	45	53	(31)	67
Noninterest Expense	106	89	-	195
Provision for Income Taxes	86	(4)	-	82
Net Income	$ 316	$ 85	$ (31)	$ 370

Key Financial Ratios – Combined CoBank District

(Unaudited)

For the Six Months Ended June 30,	2010	2009
Return on Average Assets	**1.41** %	1.16%
Return on Average Capital	**14.56**	14.00
Net Interest Margin	**2.24**	2.26
Operating Expense as a Percent of Net Interest Income and Noninterest Income	**25.52**	26.34
Net Charge-offs as a Percent of Average Loans	**0.20**	0.23
	June 30, 2010	**December 31, 2009**
Capital as a Percent of Total Assets	**9.85** %	9.42%
Risk Funds as a Percent of Loans	**14.95**	13.74
Reserve for Credit Exposure as a Percent of Loans	**1.51**	1.43
Debt to Capital (:1)	**9.15**	9.62

Loan Quality Ratios – Combined CoBank District

(Unaudited)

	June 30, 2010	December 31, 2009
Acceptable	**91.06**%	92.29%
Other Assets Especially Mentioned	**5.08**	3.71
Substandard	**3.64**	3.77
Doubtful	**0.22**	0.23
Loss	**-**	-
Total	**100.00**%	100.00%

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, the chief operating officer and the chief financial 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 financial reporting, the effectiveness and efficiency of operations and 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 Required by Farm Credit Administration Regulations

The undersigned have reviewed this quarterly report which has been prepared in accordance with all applicable statutory or regulatory requirements and certify that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Signed this 4th day of August, 2010.

/s/ EVERETT DOBRINSKI

Everett Dobrinski
Chairman of the Board

/s/ ROBERT B. ENGEL

Robert B. Engel
President and Chief Executive Officer

/s/ MARY E. MCBRIDE

Mary E. McBride
Chief Operating Officer

/s/ DAVID P. BURLAGE

David P. Burlage
Senior Vice President and Chief Financial Officer

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 officers 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 officers 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

Robert B. Engel
President and Chief Executive Officer

Dated: August 4, 2010

CERTIFICATION

I, Mary E. McBride, Chief Operating 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 officers 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 officers 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/ MARY E. MCBRIDE

Mary E. McBride
Chief Operating Officer

Dated: August 4, 2010

CERTIFICATION

I, David P. Burlage, Senior Vice President and Chief Financial 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 officers 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 officers 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/ DAVID P. BURLAGE

David P. Burlage
Senior Vice President and Chief Financial Officer

Dated: August 4, 2010

Leadership

CoBank, ACB

Executive Office

Robert B. Engel, President and Chief Executive Officer
- **John Svisco,** Human Resources and Administrative Services Divisions

Corporate Services Group

Mary E. McBride, Chief Operating Officer
- **James R. Bernsten,** Chief Information Officer
- **David P. Burlage,** Chief Financial Officer
- **Arthur C. Hodges, Jr.,** Corporate Communications Division
- **Todd E. Wilson,** Operations Division

Banking Groups

Philip S. DiPofi, Chief Banking Officer
- **John C. Holsey,** Deputy Chief Banking Officer

Agribusiness

Paul A. Narduzzo, Regional Agribusiness Banking Group*
- **Robert E. Egerton,** Agribusiness Division – East
- **Amy H. Gales,** Agribusiness Division – Central
- **Mark C. Nonnenmacher**, Agribusiness Division – West
- **Lynn M. Scherler,** Agribusiness Division – South

Jonathan B. Logan, Corporate Agribusiness Banking Group
- **Manuel Fernandez-Quevedo,** International Division

Rural Infrastructure

Jennifer G. Goss, Electric Distribution Banking Group
Aivars (Jake) Udris, Energy and Water Banking Group
Robert F. West, Communications Banking Group

Banking Services

Antony M. Bahr, Banking Services Group
- **Brian J. Klatt,** Capital Markets Division
- **Russell D. Nelson,** Farm Credit Leasing Services Corporation**
- **Candace A. Roper,** Knowledge Exchange Division
- **Richard A. Scholz,** Non-Credit Services Division

Credit and Risk Management Group

Douglas E. Wilhelm, 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

Legal, Government and Board Relations Group

Mark W. Yonkman, Chief Legal and Regulatory Officer
- **Susan D. McPhillips,** Deputy General Counsel
- **Andrew J. Romanow,** Deputy General Counsel
- **L. Todd VanHoose,** Legislative and Regulatory Affairs

* The Strategic Relationships operating segment is included within the Regional Agribusiness Banking Group.
** For segment reporting purposes, Farm Credit Leasing is included in our Agribusiness segment.

Office Locations

CoBank, ACB

CoBank National Office and Denver Banking Center
5500 S. Quebec Street
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

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

Austin Banking Center
4801 Plaza on the Lake Drive
Austin, TX 78746
(512) 483-9273

California Farm Credit Leasing Office *
2345 East Earhart Avenue
Stockton, CA 95206
P.O. Box 31990
Stockton, CA 95213
(209) 944-7478

Enfield Banking Center **
240B South Road
Enfield, CT 06082-4451
(860) 814-4043
(800) 876-3227
FCL: (860) 814-4049

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

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) 788-3700
(877) 610-6987

Maryland Farm Credit Leasing Office *
6546 MidAtlantic Lane
Salisbury, MD 21804
(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

North Carolina Farm Credit Leasing Office*
146 Victory Lane
Statesville, NC 28625
(443) 452-8666

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

Pennsylvania Farm Credit Leasing Office*
900 Bent Creek Boulevard
Mechanicsburg, PA 17050
(717) 620-2601

Sacramento Banking Center **
1478 Stone Point Drive, Suite 450
Roseville, CA 95661
(916) 380-3524
(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

St. Louis Banking Center **
1650 Des Peres Road, Suite 120
St. Louis, MO 63131
(314) 835-4200
(800) 806-4144
FCL: (800) 853-5480

Texas Farm Credit Leasing Office *
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

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*

CoBank's 2010 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 on approximately May 10, 2010, August 4, 2010, November 9, 2010, and March 1, 2011 (Annual Report).