



NEWS RELEASE

COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

Bank Records 1Q10 Net Earnings Of \$168.7 Million; Maintains Strong Levels Of Capital And Liquidity

DENVER (May 4, 2010) — CoBank, a leading cooperative bank serving agribusinesses and rural utilities throughout the United States, today announced financial results for the first quarter of 2010.

First-quarter net income was \$168.7 million, compared with \$159.9 million in the first quarter of 2009. Net interest income was \$230.7 million, compared with \$253.3 million in the same period last year. Average loans outstanding during the quarter declined 2.2 percent to \$44.7 billion, as compared to the first quarter of 2009, primarily as a result of a decrease in seasonal lending to agribusiness customers and generally weak loan demand across many industries. Growth in loans to the bank's energy and affiliated Farm Credit association customers partially offset that decline.

The growth in net income during the quarter was driven primarily by a \$36.4 million increase in noninterest income that included refunds of a portion of Farm Credit insurance fund premiums paid in prior years, partially offset by other factors, including the reduction in net interest income noted above.

"CoBank continues to deliver solid financial performance on behalf of its customer-owners across rural America," said Robert B. Engel, president and chief executive officer. "Lower prices for agricultural commodities and farm inputs, along with reduced inventory levels at cooperatives, moderately impacted overall loan volume for the bank in the first quarter. That said, CoBank continues to generate robust earnings and remains well positioned to meet the needs of our customers in market conditions that are both challenging and unpredictable."

At quarter end, 96.0 percent of the bank's loan portfolio was classified in the highest regulatory category used to grade creditworthiness, up modestly from the prior quarter. Nonaccrual loans improved slightly to \$298.6 million, compared to \$307.6 million as of December 31, 2009. During the quarter, the bank recorded a \$12.5 million provision for loan losses, compared to a \$20.0 million provision for loan losses in the first quarter of 2009 and a \$25.0 million provision in the fourth quarter of 2009.

"We're pleased to see some stabilization in overall loan credit quality during the quarter," said Mary E. McBride, CoBank's chief operating officer. "However, loan quality remains an area of focus as weakness in parts of the global economy continues to affect customers in a number of industries we serve, including dairy and forest products."

The bank's reserve for credit exposure now totals \$508.6 million, or 2.0 percent of non-guaranteed loans outstanding when loans to Farm Credit associations are excluded. "Our strong reserve functions as an important safeguard for the bank's capital foundation against loan losses resulting from the economic turmoil of the last several quarters and its impact on our customer base," McBride said. "The bank's shareholders continue to benefit from our prudent and disciplined approach with regard to loan loss reserves."

Capital levels at the bank remain strong and well in excess of regulatory minimums. As of March 31, 2010, shareholders' equity totaled \$4.1 billion, and the bank's permanent capital ratio was 15.2 percent, compared to the 7.0 percent minimum established by the Farm Credit Administration, the bank's regulator.

At quarter end, the bank held approximately \$12.7 billion in cash and investments. CoBank averaged 251 days of liquidity during the first three months of the year, compared with the FCA's 90-day regulatory minimum. "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 the year," McBride said.

Engel noted that the cooperative model continues to provide significant advantages for CoBank in the face of prolonged uncertainty and volatility on the economic, political and regulatory landscapes. "We are fortunate that our board – and our base of customer-owners – understand the importance of managing for the long term and protecting our bank's foundation of strength and stability," he said. "CoBank's cooperative structure provides a strong alignment of interests in that regard. We're pleased that the bank's value proposition continues to resonate so strongly with our customers and that we have been successful meeting our customers' needs as their financial partner."

About CoBank

CoBank is a \$58 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy. In addition to serving its direct borrowers, the bank also provides wholesale loans and other financial services to affiliated Farm Credit associations and other partners across the country.

Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore. For more information about CoBank, visit the bank's web site at www.cobank.com.

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

BALANCE SHEET INFORMATION

	March 31, 2010	December 31, 2009
	(Unaudited)	
Loans	\$ 43,645	\$ 44,174
Less: Allowance for loan losses	386	369
Net loans	<u>43,259</u>	<u>43,805</u>
Investment securities	11,936	11,808
Cash, federal funds sold, securities purchased under resale agreements and other	732	928
Accrued interest receivable and other assets	643	636
Interest rate swaps and other financial instruments	1,027	984
Total assets	<u>\$ 57,597</u>	<u>\$ 58,161</u>
Bonds and notes	\$ 51,179	\$ 51,911
Subordinated debt	1,000	1,000
Accrued interest payable and other liabilities	1,068	941
Interest rate swaps and other financial instruments	80	123
Reserve for unfunded commitments	123	128
Total liabilities	<u>53,450</u>	<u>54,103</u>
Shareholders' equity	4,147	4,058
Total liabilities and shareholders' equity	<u>\$ 57,597</u>	<u>\$ 58,161</u>

STATEMENT OF INCOME INFORMATION

For the three months ended March 31,	2010	2009
	(Unaudited)	
Interest income	\$ 407	\$ 475
Interest expense	176	222
Net interest income	<u>231</u>	<u>253</u>
Provision for loan losses	13	20
Net interest income after provision for loan losses	<u>218</u>	<u>233</u>
Noninterest income	59	23
Noninterest expenses	67	51
Provision for income taxes	41	45
Net income	<u>\$ 169</u>	<u>\$ 160</u>