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COBANK REPORTS FULL-YEAR FINANCIAL RESULTS FOR 2009

Net Earnings Increase 6 Percent to $565 Million; Capital And Liquidity Levels Remain Strong

2009 Patronage Payments To Customers Will Total $269 Million

DENVER (February 23, 2010) — CoBank, a leading cooperative bank serving agribusinesses and rural utilities throughout the United States, today announced fourth-quarter and full-year financial results for 2009. Net interest income and net earnings reached all-time highs despite lower average loan volume during the year. Although loan quality declined as a result of impacts from the global recession on the bank's customer base, CoBank's overall levels of capital and liquidity remained strong.

"We're extremely pleased with the financial performance CoBank delivered in 2009 on behalf of customer-owners across rural America," said Robert B. Engel, president and chief executive officer. "Despite a very difficult market environment, the bank continued to fulfill its mission as a highly dependable source of credit for all the industries we serve. We remain focused on meeting our customers' borrowing needs, while protecting the bank's foundation of strength and stability for the long term."

Full-year net income was a record $565.4 million, up 6 percent from $533.4 million in 2008. Net income for the fourth quarter of 2009 was $132.6 million, compared with $84.6 million in the fourth quarter of 2008. Fourth-quarter net income in 2009 included a $25.0 million provision for loan losses, compared to a $55.0 million loan loss provision in the fourth quarter of 2008. Total provisions for loan losses for 2009 and 2008 were $80.0 million and $55.0 million, respectively.

Net interest income for the bank rose 10 percent to $946.0 million, from $862.6 million in 2008. The increase was primarily driven by improved margins, including the positive impact of the bank's balance sheet positioning throughout 2009. During the year, CoBank benefited from the steepened yield curve environment that resulted from actions taken by the world's central banks to counter the global recession.

Average loan volume during 2009 was $44.5 billion, down 2 percent from the prior year primarily due to lower seasonal financing requirements from agribusiness customers. As previously disclosed, seasonal agribusiness lending was reduced during the year due to the substantial drop in prices for grains and farm inputs from 2008's exceptionally high levels. Offsetting that decline was growth in other areas of the business, including U.S. government-guaranteed loans that support American agricultural exports, loans to energy customers, and loans to and participations with affiliated associations and other partners across the Farm Credit System.

"CoBank and its shareholders benefit from the diversification of our loan portfolio and the degree of balance we have among our agribusiness, rural infrastructure and Farm Credit System customers," Engel said.

In March, the bank will pay $268.9 million in total patronage, including $183.8 million in cash and $85.1 million in common stock. For most customers, that represents 100 basis points of average loan volume, lowering their overall net cost of debt capital from CoBank.

“Patronage is an important benefit for organizations that choose CoBank as their lender,” Engel said. “The strong patronage payout authorized by our board for 2009 underscores the strength of the cooperative model and the compelling value proposition that CoBank offers its customer-owners.”

At year-end, 95.8 percent of the bank’s loan and lease portfolio was classified in the highest regulatory category used to grade creditworthiness, compared to 96.0 percent at September 30, 2009, and 97.2 percent at December 31, 2008. Nonaccrual loans and leases decreased in the fourth quarter to $307.6 million from $442.5 million at September 30, 2009. The quarter-over-quarter improvement in nonaccruals was largely attributable to the successful resolution of a loan to a customer in the poultry industry. At the end of 2008, total nonaccrual loans for CoBank totaled $217.8 million.

At year-end, the bank’s reserve for credit exposure totaled $498.2 million, or 2.0 percent of non-guaranteed loans and leases outstanding when loans to Farm Credit associations are excluded. “We believe we are well-reserved for the credit risk inherent in our loan portfolio,” said Mary McBride, CoBank’s chief operating officer. “The bank’s shareholders continue to benefit from the prudent and disciplined approach we have adopted with regard to loan loss reserves, which has kept the bank well protected in a difficult environment.”

Capital and liquidity levels at the bank remain strong and well in excess of regulatory minimums. At year end, the bank held approximately $12.7 billion in cash and investments. The bank averaged 287 days of liquidity during 2009, compared with the 90-day minimum established by the Farm Credit Administration, the bank’s regulator. “Throughout the year, we maintained higher levels of liquidity as a result of the credit crisis and its impact on funding flexibility,” McBride said. “Given recent improvements in overall debt issuance and market capacity, we expect to adjust our liquidity position closer to our management target of 180 days.”

Engel noted that CoBank’s ongoing capacity to generate strong earnings is an important strategic advantage for the bank and its customers. “During a year that proved enormously difficult for many of the nation’s financial institutions, CoBank was successful in generating record levels of net income to fund patronage, build capital, and cushion the bank from the negative impacts of the recession and credit crisis,” Engel said. “Most importantly, we were able to stand by our customers and meet their needs for debt capital as their financial partner. We look forward to continuing to deliver on our value proposition for our customer-owners throughout 2010.”

CoBank Financial Highlights for 2009

- Total assets were $58.2 billion at December 31, 2009, compared with $61.2 billion the year before.

- Average loan volume during 2009 was $44.5 billion, a 2 percent decrease from the prior year primarily due to a decline in commodity prices and lower financing requirements from agribusiness customers. At year end, total loans and leases outstanding stood at $44.2 billion, compared to $44.6 billion at December 31, 2008.

- Full-year net income was a record $565.4 million, up 6 percent from $533.4 million in 2008. Net income in 2009 included an $80.0 million provision for loan losses, compared to a $55.0 million provision for loan losses in 2008.

- Net interest income for the bank rose 10 percent to $946.0 million, from $862.6 million in 2008. The increase was primarily driven by improved margins, including the positive impact of the bank’s balance sheet positioning noted above.

- The bank's Agribusiness operating segment generated $288.5 million in net income during the year, a 6 percent decrease from 2008. The decrease was principally due to reduced seasonal financing requirements for grain, oilseed and farm supply customers, resulting from significantly lower prices for commodities and agricultural inputs. Partially offsetting the decrease were improved margins, including the positive impact of the bank's balance sheet positioning noted above. The Agribusiness portfolio includes loans and leases to cooperatives and other customers involved in grain handling and marketing, farm supply, food processing, dairy, livestock, fruits, nuts, vegetables, forest products, biofuels and other agricultural industries. Average loan volume in Agribusiness was $18.2 billion for the year, compared with $21.8 billion in 2008.

- The Strategic Relationships operating segment generated $97.0 million in net income in 2009, a 43 percent increase from 2008. The increase was related primarily to greater net interest income stemming from the bank's balance sheet positioning noted above, as well as increased loan volumes. The Strategic Relationships portfolio consists of loans to the bank's affiliated Farm Credit Associations as well as loans to and participations with other banks and associations across the Farm Credit System. Average loan volume in Strategic Relationships was $15.1 billion for the year, compared with $13.7 billion in 2008.

- The Rural Infrastructure operating segment generated $184.5 million in net income in 2009, an 11 percent increase from 2008. The increase resulted primarily from improved margins, including the positive impact of the bank's balance sheet positioning noted above, as well as increased lending activity in the rural energy sector. The Rural Infrastructure portfolio consists of loans to electric distribution, generation and transmission cooperatives; rural water and wastewater companies; and rural telephone, Internet, cable and wireless service providers. Average loan volume in Rural Infrastructure was $11.2 billion for the year, compared with $9.9 billion in 2008.

2009 Earnings Webcast and Conference Call

CoBank will hold a conference call and webcast today at 3 p.m. Eastern Time to discuss full-year 2009 financial results. To join via phone, call 866-272-9941 and enter passcode 60538547. To join via the Internet, click here. Instructions will be provided on how to submit questions during the webcast. In addition, you can submit questions in advance by emailing them to corp.comm@cobank.com.

If you have additional questions, please contact CoBank Corporate Communications at 800-542-8072 x 45862.

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

As of December 31,	2009	2008
Loans and leases	$ 44,174	$ 44,550
Less: Allowance for loan losses	369	329
Net loans and leases	43,805	44,221
Investment securities	11,808	11,537
Cash, federal funds sold, securities purchased under resale agreements and other	928	3,132
Accrued interest receivable and other assets	636	597
Interest rate swaps and other financial instruments	984	1,675
Total assets	$ 58,161	$ 61,162
Bonds and notes	$ 51,911	$ 55,365
Subordinated debt	1,000	1,000
Accrued interest payable and other liabilities	941	907
Interest rate swaps and other financial instruments	123	141
Reserve for unfunded commitments	128	154
Total liabilities	54,103	57,567
Shareholders' equity	4,058	3,595
Total liabilities and shareholders' equity	$ 58,161	$ 61,162

STATEMENT OF INCOME INFORMATION

For the year ended December 31,	2009	2008
Interest income	$ 1,776	$ 2,603
Interest expense	830	1,740
Net interest income	946	863
Provision for loan losses	80	55
Net interest income after provision for loan losses	866	808
Noninterest income	84	68
Noninterest expenses	219	215
Provision for income taxes	166	128
Net income	$ 565	$ 533