NEWS RELEASE

COBANK REPORTS SECOND QUARTER FINANCIAL RESULTS

Bank Records 2Q10 Net Earnings Of $150.4 Million; Maintains Strong Levels Of Capital And Liquidity

DENVER (August 3, 2010) — CoBank, a leading cooperative bank serving agribusinesses and rural utilities throughout the United States, today announced financial results for the second quarter of 2010.

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 associations in the Farm Credit System.

“We’re pleased that CoBank recorded another period of strong financial performance in the second quarter of 2010,” said Robert B. Engel, president and chief executive officer. “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.”

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 2.1 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 improvement in credit quality for certain sectors,” Engel said. “Although it’s possible we could see a decline in credit quality in certain areas of our loan portfolio as a result of ongoing challenges in the economy, our strong earnings and loss reserves continue to function as important safeguards 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," Engel said.

Engel noted that, 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, overall economic activity in the United States remains sluggish as evidenced by a stubbornly high jobless rate and low consumer confidence.

"At CoBank, these dynamics have clearly impacted the borrowing needs of our customers, along with the bank's loan volumes and net interest income," Engel said. "And 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 our 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."

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 retail 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.

Contact

Arthur Hodges
Vice President, Corporate Communications
303-740-4061
ahodges@cobank.com

Kyle Henley
Corporate Communications Manager
303-694-5862
khenley@cobank.com

###

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

BALANCE SHEET INFORMATION

	June 30, 2010 (Unaudited)	December 31, 2009
Loans	$ 42,316	$ 44,174
Less: Allowance for loan losses	382	369
Net loans	41,934	43,805
Investment securities	12,943	11,808
Cash, federal funds sold, securities purchased under resale agreements and other	1,632	928
Interest rate swaps and other financial instruments	1,223	984
Accrued interest receivable and other assets	632	636
Total assets	$ 58,364	$ 58,161
Bonds and notes	$ 52,152	$ 51,911
Subordinated debt	1,000	1,000
Accrued interest payable and other liabilities	744	941
Interest rate swaps and other financial instruments	88	123
Reserve for unfunded commitments	122	128
Total liabilities	54,106	54,103
Shareholders' equity	4,258	4,058
Total liabilities and shareholders' equity	$ 58,364	$ 58,161

STATEMENT OF INCOME INFORMATION

For the three months ended June 30,	2010	2009
	(Unaudited)	
Interest income	$ 398	$ 458
Interest expense	180	218
Net interest income	218	240
Provision for loan losses	4	10
Net interest income after provision for loan losses	214	230
Noninterest income	16	23
Noninterest expenses	43	56
Provision for income taxes	37	41
Net income	$ 150	$ 156

STATEMENT OF INCOME INFORMATION

For the six months ended June 30,	2010	2009
	(Unaudited)	
Interest income	$ 805	$ 933
Interest expense	356	440
Net interest income	449	493
Provision for loan losses	17	30
Net interest income after provision for loan losses	432	463
Noninterest income	75	45
Noninterest expenses	110	106
Provision for income taxes	78	86
Net income	$ 319	$ 316