



NEWS RELEASE

COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

Net Income Increases 13 Percent To \$132.0 Million; Capital And Liquidity Levels Remain Strong

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

Quarterly net income rose 13 percent to \$132.0 million, compared with \$116.8 million in the third quarter of last year. Net interest income for the quarter was \$226.3 million, compared with \$223.1 million a year ago. Average loan volume for the third quarter was \$44.5 billion, compared to \$43.4 billion for the same period in 2009.

For the first nine months of 2010, net income increased 4 percent, to \$451.0 million, in part due to the impact of refunds of insurance fund premiums paid in prior years. Net interest income for the first nine months of 2010 was \$674.9 million, compared to \$716.0 million in the same period of 2009. Average loan volume for the period was \$44.1 billion, compared to \$45.0 billion the year before. Total loan volume for the bank at September 30, 2010, was \$46.5 billion.

“CoBank continues to deliver solid financial performance on behalf of customer-owners across rural America,” said Robert B. Engel, CoBank’s president and chief executive officer. “Earnings, credit quality, capital and liquidity all remain strong, despite persistently sluggish conditions in the broader economy. We remain focused on preserving the strength and stability of the bank while meeting the borrowing needs of our customers and providing them with a superior overall customer experience.”

Higher average loan volumes recorded during the quarter reflected the impact of recent sharp increases in prices for certain agricultural commodities, which drove greater seasonal borrowing requirements for grain cooperatives and other agribusiness customers. In addition, the bank experienced growth in its Rural Infrastructure operating segment, primarily due to increased borrowing by rural electric cooperatives, partially offset by declines in lending to service providers in the communications industry. Meanwhile, CoBank’s wholesale lending to other banks and associations in the Farm Credit System declined slightly, indicating a low rate of growth in demand for credit at the producer level of the U.S. farm economy.

At quarter end, 1.88 percent of the bank’s loans were classified as adverse assets, compared with 1.74 percent at June 30, 2010 and 2.17 percent at December 31, 2009. Nonaccrual loans improved to \$240.4 million, compared to \$272.1 million at the end of the second quarter. During the third quarter, the bank recorded a \$21.0 million provision for loan losses, in addition to \$16.5 million in provision recorded earlier in the year. The provision for loan losses in the first nine months of last year totaled \$55.0 million. The bank’s reserve for credit exposure totals \$497.5 million or 1.81 percent of non-guaranteed loans outstanding when loans to Farm Credit associations are excluded.

"We're pleased that loan credit quality continues to stabilize following impacts from the recent recession on many of the industries we serve," Engel said. "Overall, credit quality remains well within the bank's risk-bearing capacity."

Capital and liquidity levels at the bank remain strong and in excess of regulatory minimums. At quarter end, the bank held approximately \$12.1 billion in cash and investments. The bank averaged 253 days of liquidity during the first nine months of the year, compared with the 90-day minimum established by the Farm Credit Administration, the bank's regulator. At quarter end, the bank's liquidity was 202 days. The bank expects to continue adjusting its liquidity position closer to its management target of 180 days over the balance of 2010 given the ongoing stabilization of global credit markets that has occurred over the past several months.

During the quarter, the bank recorded \$25.0 million in impairment losses primarily as a result of continued weakness in the financial condition of a bond insurer that insures certain of the bank's investment securities. "Credit risk in our investment portfolio remains limited, since approximately 94 percent of our investment securities carry an implied or explicit guarantee from the U.S. government," said David P. Burlage, CoBank's chief financial officer.

Engel noted that the recent jump in agricultural commodity prices was triggered in part by the summer's severe drought in Russia and Eastern Europe and a decision by the Russian government to suspend wheat exports to international markets. "That event underscored once again how interconnected the global economy is today, and the degree to which volatility has become the 'new normal' for U.S. agribusiness and the other vital industries we serve across rural America," Engel said. "For CoBank it also highlights the importance of maintaining our financial strength and capacity to serve customers and of managing the business with a long-term view. We are committed to fulfilling our mission and to providing our customers with the dependable credit they need in a challenging and complex economic environment."

About CoBank

CoBank is a \$60 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.

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

BALANCE SHEET INFORMATION

	September 30, 2010	December 31, 2009
	(Unaudited)	
Loans	\$ 46,467	\$ 44,174
Less: Allowance for loan losses	365	369
Net loans	46,102	43,805
Investment securities	11,090	11,808
Cash, federal funds sold, securities purchased under resale agreements and other	1,049	928
Interest rate swaps and other financial instruments	1,359	984
Accrued interest receivable and other assets	695	636
Total assets	<u>\$ 60,295</u>	<u>\$ 58,161</u>
Bonds and notes	\$ 53,315	\$ 51,911
Subordinated debt	1,000	1,000
Accrued interest payable and other liabilities	1,372	941
Interest rate swaps and other financial instruments	105	123
Reserve for unfunded commitments	132	128
Total liabilities	55,924	54,103
Shareholders' equity	4,371	4,058
Total liabilities and shareholders' equity	<u>\$ 60,295</u>	<u>\$ 58,161</u>

STATEMENT OF INCOME INFORMATION

For the three months ended September 30,	2010	2009
	(Unaudited)	
Interest income	\$ 407	\$ 426
Interest expense	181	203
Net interest income	226	223
Provision for loan losses	21	25
Net interest income after provision for loan losses	205	198
Noninterest income	3	9
Noninterest expenses	43	55
Provision for income taxes	33	35
Net income	<u>\$ 132</u>	<u>\$ 117</u>

STATEMENT OF INCOME INFORMATION

For the nine months ended September 30,	2010	2009
	(Unaudited)	
Interest income	\$ 1,213	\$ 1,359
Interest expense	538	643
Net interest income	675	716
Provision for loan losses	38	55
Net interest income after provision for loan losses	637	661
Noninterest income	78	54
Noninterest expenses	153	160
Provision for income taxes	111	122
Net income	<u>\$ 451</u>	<u>\$ 433</u>