



NEWS RELEASE

COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

Net Income Increases 26 Percent To \$212.1 Million

DENVER (May 4, 2011) — CoBank, a leading cooperative bank serving agribusinesses and rural infrastructure providers throughout the United States, today announced financial results for the first quarter of 2011.

Quarterly net income rose 26 percent to \$212.1 million, compared with \$168.7 million in the first quarter of last year. Net interest income for the quarter was \$301.2 million, compared with \$230.7 million a year ago. Average loan volume for the first quarter was \$54.9 billion, compared to \$44.7 billion for the same period in 2010.

Sharply higher prices for grains and other agricultural commodities had a strong impact on the bank's financial results during the quarter. Generally, rising commodity prices increase seasonal borrowing requirements for grain and farm supply cooperatives and other agribusiness customers. The bank also saw increased loan volume from rural electric cooperatives around the country and from its two largest Farm Credit association customers, which serve farmers, ranchers and other rural borrowers in the northeastern and northwestern United States.

"As always, we are focused on meeting the borrowing needs of our customers in market conditions that remain complex and highly volatile," said Robert B. Engel, CoBank's president and chief executive officer. "We're pleased with the financial performance of the bank and with the growth in loan volume we've seen in our agribusiness, rural infrastructure and association portfolios. Our strong results are, we believe, directly attributable to the value the bank provides its customers as a stable, dependable lender that is deeply committed to their success."

Credit quality in the bank's loan portfolio continued to improve. At quarter end, 1.61 percent of the bank's loans were classified as adverse assets, compared with 1.71 percent at December 31, 2010. Nonaccrual loans improved to \$156.3 million, compared to \$167.0 million at the end of the year. During the first quarter, the bank recorded a \$12.5 million provision for loan losses, the same amount recorded in the first quarter of 2010. The bank's reserve for credit exposure totals \$511.2 million, or 1.47 percent of non-guaranteed loans outstanding when loans to Farm Credit associations are excluded.

"The continued improvement we've seen in credit quality in recent quarters is a result of better conditions in certain of the industries we serve as well as resolution of a limited number of troubled credits," said David P. Burlage, CoBank's chief financial officer. "Overall credit quality is well within the bank's risk-bearing capacity, while our strong reserve for credit exposure continues to protect the bank's capital base, including the equity held by our customer-owners."

Capital levels at the bank remain strong and well in excess of regulatory minimums. As of March 31, 2011, shareholders' equity totaled \$4.5 billion, and the bank's permanent capital ratio was 12.88 percent,

compared with the 7.00 percent minimum established by the Farm Credit Administration (FCA), the bank's regulator.

At quarter end, CoBank held approximately \$15.0 billion in cash and investments. The bank averaged 180 days of liquidity during the first three months of the year, compared with the 90-day regulatory minimum set by the FCA. No investment impairment losses were recorded in the first quarter, compared with a \$3.0 million impairment loss in the first quarter of 2010.

"Credit risk in our investment portfolio remains limited, since approximately 97 percent of our investment securities carry an implied or explicit guarantee from the U.S. government," Burlage said.

U.S. AgBank Merger Update

As previously announced, CoBank has executed a letter of intent to merge with U.S. AgBank, another bank in the Farm Credit System. The combined bank would have approximately \$90 billion in assets and serve as a wholesale provider of financing to Farm Credit associations that provide credit and financial services to more than 70,000 farmers, ranchers and other rural borrowers in 23 states. It would also serve as a direct lender to farmer-owned agricultural cooperatives, other agribusinesses and providers of rural electric, water and communications services throughout the country. The combined bank would do business under the CoBank name and remain headquartered in Colorado, with Bob Engel continuing in the role of chief executive officer.

On March 30, 2011, CoBank and U.S. AgBank submitted their merger application to the FCA for preliminary approval following unanimous votes by both banks' boards of directors. Under statute and applicable regulations, the FCA reviews merger proposals involving Farm Credit entities to ensure they don't pose safety and soundness issues, and also to ensure that disclosure materials prepared for stockholders adequately cover all key aspects of the merger.

On April 25, 2011, the FCA determined the application to be complete, triggering a 60-day statutory time period to act on the application. An issuance of preliminary approval by the FCA would enable CoBank and U.S. AgBank to conduct stockholder votes on the merger this summer. Assuming the merger is approved, the banks plan to close the transaction no earlier than October 1, 2011.

"We strongly believe the merger will benefit all of our customers and position the bank as a safe, sound, well-diversified provider of credit to rural America for the long term," Engel said. "We look forward to submitting the merger proposal to our shareholders later this year and to bringing the two banks together to form an even stronger, more dependable financial services institution."

About CoBank

CoBank is a \$69 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

	March 31, 2011	December 31, 2010
	(Unaudited)	
Loans	\$ 53,323	\$ 49,992
Less: Allowance for loan losses	400	401
Net loans	<u>52,923</u>	<u>49,591</u>
Investment securities	13,703	12,617
Cash	1,275	1,923
Accrued interest receivable and other assets	595	694
Interest rate swaps and other financial instruments	784	1,001
Total assets	<u>\$ 69,280</u>	<u>\$ 65,826</u>
Bonds and notes	\$ 62,718	\$ 59,324
Subordinated debt	1,000	1,000
Accrued interest payable and other liabilities	825	903
Interest rate swaps and other financial instruments	101	93
Reserve for unfunded commitments	111	100
Total liabilities	<u>64,755</u>	<u>61,420</u>
Shareholders' equity	4,525	4,406
Total liabilities and shareholders' equity	<u>\$ 69,280</u>	<u>\$ 65,826</u>

STATEMENT OF INCOME INFORMATION

For the three months ended March 31,	2011	2010
	(Unaudited)	
Interest income	\$ 486	\$ 407
Interest expense	185	176
Net interest income	<u>301</u>	<u>231</u>
Provision for loan losses	13	13
Net interest income after provision for loan losses	288	218
Noninterest income	34	59
Operating expenses	53	67
Provision for income taxes	57	41
Net income	<u>\$ 212</u>	<u>\$ 169</u>