NEWS RELEASE

COBANK REPORTS SECOND QUARTER FINANCIAL RESULTS

Net Income Increases 20 Percent To $180.7 Million

DENVER (August 3, 2011) — CoBank, a leading cooperative bank serving agribusinesses and rural infrastructure providers throughout the United States, today announced financial results for the second quarter of 2011.

Quarterly net income rose 20 percent to $180.7 million, compared with $150.4 million in the second quarter of 2010. Net interest income for the quarter was $276.5 million, compared with $217.9 million a year ago. Average loan volume for the second quarter was $52.1 billion, compared to $43.2 billion for the same period in 2010.

For the first six months of 2011, net income increased 23 percent to $392.8 million, from $319.0 million a year ago. Net interest income increased 29 percent to $577.7 million. Total loan volume for the bank at June 30, 2011 was $48.8 billion.

As in recent quarters, sustained higher and continued volatile prices for grains and other agricultural commodities had a significant positive impact on the bank's financial results. Generally, rising commodity prices increase seasonal borrowing requirements for grain and farm supply cooperatives and other agribusiness customers. The bank also saw modest year-over-year growth in loan volume with rural electric cooperatives around the country and with Farm Credit association customers serving farmers, ranchers and other rural borrowers in the northeastern and northwestern United States.

"The increase in average loan volume we've experienced this year has been dramatic and has largely been the result of commodity price volatility and its impact on our borrowers in the grain and farm supply industries," said Robert B. Engel, CoBank's president and chief executive officer. "Demand for financing in many of the other sectors we serve has weakened, consistent with slow economic growth in the broader U.S. economy. As always, we remain focused on meeting the needs of our customers and on protecting the financial strength and stability of the bank for the long term."

At quarter end, 1.87 percent of the bank's loans were classified as adverse assets, compared with 1.61 percent at March 31, 2011, and 1.71 percent at December 31, 2010. Nonaccrual loans rose to $191.3 million, from $156.3 million at the end of the first quarter and $167.0 million at the end of the year, reflecting credit challenges facing a small number of agribusiness customers. During the second quarter, the bank recorded a $25.0 million provision for loan losses, increasing the provision to $37.5 million for the first half of the year. The provision for loan losses in the first six months of last year was $16.5 million. The bank's reserve for credit exposure totals $531.9 million, or 1.74 percent of non-guaranteed loans outstanding when loans to Farm Credit associations are excluded.

“Overall credit quality remains well within the bank’s risk-bearing capacity,” said David P. Burlage, CoBank’s chief financial officer. “In addition, we continue to maintain a strong reserve for credit exposure, which protects the bank’s capital base in the event of future credit losses in our loan portfolio.”

Capital levels at the bank remain strong and well in excess of regulatory minimums. As of June 30, 2011, shareholders’ equity totaled $4.7 billion, and the bank’s permanent capital ratio was 14.0 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank’s regulator.

At quarter end, CoBank held approximately $16.5 billion in cash and investments. The bank averaged 186 days of liquidity during the first six months of the year, compared with the 90-day regulatory minimum set by the FCA. The bank recorded $4.0 million in impairment losses during the second quarter, primarily due to continued weakness in the U.S. housing market and its impact on certain mortgage-backed investment securities held by the bank. “The fact that approximately 97 percent of our investment securities carry an implied or explicit guarantee from the U.S. government provides us with a high degree of confidence about the overall credit risk in our investment portfolio,” 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 Robert B. Engel continuing in the role of chief executive officer.

On June 22, 2011, the merger received preliminary approval from the FCA, enabling CoBank and U.S. AgBank to submit the transaction to stockholders for approval. Ballots and merger disclosure materials have been distributed, with votes to be tabulated at a special stockholder meeting scheduled for September 7, 2011. Provided stockholders authorize the transaction and final FCA approval is received, the banks plan to merge on January 1, 2012.

“The merger will create a stronger, more durable financial services institution with an enhanced ability to fulfill its mission, both today and for future generations of borrowers,” Engel said. “Our board of directors fully supports the merger and recommends that our stockholders approve the transaction. We are committed to ensuring a seamless transition to the combined bank at the end of the year.”

About CoBank

CoBank is a $66 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

	June 30, 2011 (Unaudited)	December 31, 2010
Loans	$ 48,843	$ 49,992
Less: Allowance for loan losses	404	401
Net loans	48,439	49,591
Investment securities	13,173	12,617
Cash	3,365	1,923
Accrued interest receivable and other assets	560	694
Interest rate swaps and other financial instruments	883	1,001
Total assets	$ 66,420	$ 65,826
Bonds and notes	$ 59,718	$ 59,324
Subordinated debt	1,000	1,000
Accrued interest payable and other liabilities	795	903
Interest rate swaps and other financial instruments	84	93
Reserve for unfunded commitments	128	100
Total liabilities	61,725	61,420
Shareholders' equity	4,695	4,406
Total liabilities and shareholders' equity	$ 66,420	$ 65,826

STATEMENT OF INCOME INFORMATION

For the three months ended June 30,	2011	2010
	(Unaudited)	
Interest income	$ 460	$ 398
Interest expense	183	180
Net interest income	277	218
Provision for loan losses	25	4
Net interest income after provision for loan losses	252	214
Noninterest income	30	16
Operating expenses	56	43
Provision for income taxes	45	37
Net income	$ 181	$ 150

STATEMENT OF INCOME INFORMATION

For the six months ended June 30,	2011	2010
	(Unaudited)	
Interest income	$ 946	$ 805
Interest expense	368	356
Net interest income	578	449
Provision for loan losses	38	17
Net interest income after provision for loan losses	540	432
Noninterest income	64	75
Operating expenses	109	110
Provision for income taxes	102	78
Net income	$ 393	$ 319