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NEWS RELEASE

COBANK REPORTS FULL-YEAR FINANCIAL RESULTS FOR 2010

Net Earnings Increase 8.6 Percent to $613.8 Million; Capital And Liquidity Levels Remain Strong

2010 Patronage Payments To Customers Will Total $284.6 Million

DENVER (February 22, 2011) — CoBank, a leading cooperative bank serving agribusinesses and rural infrastructure providers throughout the United States, today announced fourth-quarter and full-year financial results for 2010. Full-year earnings and net interest income reached record highs, and loan quality continued to improve throughout the year. CoBank's overall levels of capital and liquidity remained strong.

"We're exceptionally pleased with CoBank's business performance throughout 2010," said Robert B. Engel, president and chief executive officer. "Despite an economic environment that remains challenging and highly volatile, the bank continued to serve as a dependable source of credit for vital industries across rural America. In addition, our proposed merger with U.S. AgBank positions the bank as an even stronger financial institution for the long term. We remain focused on delivering on our value proposition for customer-owners, and on ensuring the bank can fulfill its mission for future generations."

2010 Financial Results

CoBank's full-year net income was a record $613.8 million, up 8.6 percent from $565.4 million in 2009. Net income for the fourth quarter of 2010 was $162.8 million, compared with $132.6 million in the same period in the prior year. Full-year net income reflected the benefit of refunds of Farm Credit insurance premiums paid in prior years, a lower premium in the current year, a lower provision for loan losses, and greater fee income. Those positive earnings drivers were partially offset by impairment losses in the bank's investment portfolio and other factors.

Average loan volume during 2010 was $45.5 billion, up 2.3 percent from the prior year. A key driver was higher seasonal financing requirements from agribusiness customers due to the sharp increase in prices for grains and other agricultural commodities that occurred in the latter part of 2010. The bank also increased its lending to rural electric distribution cooperatives around the country. Those increases were partially offset by lower levels of borrowing from customers in the rural communications industry, where overall demand for debt capital remained weak. Average loans to other banks and associations in the Farm Credit System were essentially unchanged, reflecting relatively flat loan demand at the producer level of the U.S. farm economy. Total loan volume for the bank at December 31, 2010, was $50.0 billion, compared with $44.2 billion at the end of 2009.

"The recent spike in commodity prices has once again underscored the volatile nature of the global economy and the direct impact it can have on our agribusiness customers and our results," Engel said. "We're fortunate to have the capacity necessary to stand by our customers and to meet their borrowing needs in all kinds of market conditions."

Full-year net interest income for CoBank rose 0.5 percent to $950.8 million, from $946.0 million in 2009. In the fourth quarter, net interest income increased 20 percent to $275.9 million, compared to $229.9 million the prior year, largely due to the increase in agribusiness loan volume cited above.

In March, the bank will pay $284.6 million in total patronage distributions, including $194.1 million in cash and $90.5 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.

Engel noted that, over the past five years, CoBank has returned more than $1.3 billion in patronage to customer-owners around the country. “Strong, dependable patronage is an important component of the CoBank value proposition,” Engel said. “As a cooperatively organized bank, we’re delighted in the patronage payout authorized by our board this year and in delivering this benefit to eligible customers who choose CoBank as their financial partner.”

Credit quality in CoBank’s loan portfolio has improved as reflected in a number of credit quality indicators. At year-end, 1.71 percent of the bank’s loans were classified as adverse assets, compared to 1.88 percent at the end of the third quarter of 2010 and 2.17 percent at December 31, 2009. Nonaccrual loans and leases decreased in the fourth quarter to $167.0 million from $240.4 million at the end of the third quarter and $307.6 million at the end of 2009. For the year, the bank’s provision for loan losses totaled $60.0 million, compared with $80.0 million in 2009.

At year-end, the bank’s reserve for credit exposure totaled $500.5 million or 1.6 percent of non-guaranteed loans and leases outstanding when loans to Farm Credit associations are excluded. “We continue to maintain a conservative posture with regard to loan loss reserves,” said David P. Burlage, CoBank’s chief financial officer. “Throughout the economic turmoil of the past few years, the bank and its customers have been well-served by that prudent approach, which has kept CoBank well protected from loan losses that can be expected in any economic downturn.”

Capital and liquidity levels at the bank remain strong and well in excess of regulatory minimums. At year end, the bank held approximately $14.5 billion in cash and investments. The bank averaged 240 days of liquidity during 2010, compared with the 90-day minimum established by the Farm Credit Administration (FCA), the bank’s regulator. “For several quarters following the onset of the credit crisis, CoBank deliberately maintained higher levels of liquidity in order to ensure our ability to meet the needs of our customers,” Burlage said. “More recently, as conditions in the credit markets and overall funding flexibility have improved, we have returned our liquidity position closer to our management target of 180 days.” CoBank had 198 days of liquidity as of December 31, 2010.

During the year, the bank recorded $44.0 million in impairment losses on investment securities compared to $15.0 million in 2009. These impairments relate to the 4 percent of the bank’s investment portfolio that consists of non-agency mortgage-backed securities or asset-backed securities. The remainder of the portfolio – approximately 96 percent – consists of securities that carry an implied or explicit guarantee from the U.S. government.

U.S. AgBank Merger Update

In December 2010, the CoBank and U.S. AgBank boards of directors unanimously approved a letter of intent to pursue a merger during 2011. Based in Wichita, Kansas, U.S. AgBank is one of the four other funding banks in the Farm Credit System. The combined bank would continue to do business under the CoBank name and remain headquartered outside Denver, Colorado, but it would maintain U.S. AgBank’s existing presence and operations in Wichita and Sacramento, California.

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 rural electric, water and communications service providers throughout the country.

The merger requires the approval of CoBank and U.S. AgBank shareholders as well as the Farm Credit Administration. Since announcing the merger proposal in December, the banks have been conducting formal due diligence and preparing a comprehensive merger disclosure document, which will be submitted to the FCA for its review prior to distribution to shareholders later this year. FCA submission is scheduled for the end of March, with stockholder votes expected to take place in the summer. If stockholders endorse the transaction, the merger is expected to close on October 1, 2011.

"The merger of CoBank and U.S. AgBank will result in a bank that is better positioned to support agriculture and rural communities through all kinds of economic cycles, and we are very pleased with the progress we are making on the proposed transaction," Engel said. "The boards and management teams of both organizations are working together extremely well and are excited about the value the merger will create for our customer-owners. 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."

Customer Meetings and 2010 Earnings Webcast and Conference Call

CoBank will provide information about the merger and its 2010 financial results at its upcoming series of regional customer meetings, which will take place in nine cities around the country between February and July of 2011. Managers and directors of any CoBank borrower are invited to attend these meetings, as are representatives of all Farm Credit institutions. For complete details about the meeting program, please visit the bank's meetings page at www.cobank.com/meetings.

In addition, the bank will hold its annual conference call and webcast at 3 p.m. Eastern time on Tuesday, March 1. The 60-minute call will feature a presentation of 2010 financial highlights, a merger overview and Q&A with CoBank executives.

To join via phone, call 866-362-4820 and use passcode 16622859. To join via the Internet, visit www.cobank.com and click on the "2010 Earnings Webcast" link at the top of the page.

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 farmer-owned agricultural cooperatives, other 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 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,	2010	2009
Loans	$ 49,992	$ 44,174
Less: Allowance for loan losses	401	369
Net loans	49,591	43,805
Investment securities	12,617	11,808
Cash, federal funds sold, securities purchased under resale agreements and other	1,923	928
Accrued interest receivable and other assets	694	636
Interest rate swaps and other financial instruments	1,001	984
Total assets	$ 65,826	$ 58,161
Bonds and notes	$ 59,324	$ 51,911
Subordinated debt	1,000	1,000
Accrued interest payable and other liabilities	903	941
Interest rate swaps and other financial instruments	93	123
Reserve for unfunded commitments	100	128
Total liabilities	61,420	54,103
Shareholders' equity	4,406	4,058
Total liabilities and shareholders' equity	$ 65,826	$ 58,161

STATEMENT OF INCOME INFORMATION

For the year ended December 31,	2010	2009
Interest income	$ 1,666	$ 1,776
Interest expense	715	830
Net interest income	951	946
Provision for loan losses	60	80
Net interest income after provision for loan losses	891	866
Noninterest income	98	84
Operating expenses	216	219
Provision for income taxes	159	166
Net income	$ 614	$ 565