



## NEWS RELEASE

### COBANK REPORTS RECORD FINANCIAL RESULTS FOR 2008

*Net Earnings Increase 28 Percent To \$533 Million*

*2008 Patronage Distributions Increase To \$314 Million*

**DENVER (February 20, 2009)** — CoBank, a leading national cooperative bank serving agribusinesses and rural utilities throughout the United States, today announced record financial results for 2008, with continued good credit quality and strong capital and liquidity at year-end.

CoBank's net earnings increased 28 percent to \$533.4 million, up from \$415.6 million in 2007, driven by robust growth in average loan volume across all operating segments. Net interest income rose 34 percent to \$862.6 million, compared to \$645.4 million in 2007. At December 31, 2008, the bank's loan and lease portfolio totaled \$44.6 billion.

"CoBank delivered exceptional financial performance during 2008 on behalf of customer-owners, investors and our other stakeholders," said Robert B. Engel, CoBank president and chief executive officer. "As importantly, we were able to stand by our borrowers in the face of extremely challenging conditions in commodity markets, credit markets and the broader economy. We believe CoBank succeeded, by virtually every measure, in fulfilling its mission to serve as a strong, dependable source of credit to vital industries across rural America."

Extreme volatility in the grain, oilseed and farm supply markets during the first eight months of the year were a key driver of increased financing requirements from CoBank's agribusiness customers. Lending to rural providers of power, water and communications services also experienced robust growth. Additional information about the performance of the bank's individual operating segments is contained in the "Financial Highlights" section below.

In coming weeks, CoBank will make patronage payments to customer-owners totaling a record \$314 million, compared with \$245 million for 2007. Of that, \$207 million will be paid in cash, with the remainder distributed in CoBank stock. 2008 patronage distributions represent an average 25 percent return on the stock investment of our active borrowers.

“We’re extremely pleased with the level of patronage our customer-owners will receive this year,” Engel said. “Total patronage will rise by 28 percent above last year’s level, returning real value to our customer-owners and lowering their overall net cost of borrowing. The increased patronage payout authorized by our board of directors underscores the strength of the cooperative model and the overall value proposition that CoBank offers its customer-owners.”

At year-end, capital levels at the bank remained well in excess of all regulatory minimums. During 2008, CoBank enhanced its capital foundation with third-party capital, issuing \$500 million in unsecured subordinated notes in April and \$200 million in Series C non-cumulative subordinated perpetual preferred stock in July. In addition, due to the ongoing turmoil in the credit markets, CoBank took steps to appreciably enhance liquidity, by issuing long-term debt when possible and holding higher levels of liquid assets, including cash. CoBank’s liquidity stood at 257 days at December 31, 2008, compared to the regulatory minimum of 90 days.

“We have deliberately bolstered the bank’s liquidity and capital base in order to preserve our foundation of strength and stability in volatile markets,” said Brian Jackson, CoBank’s chief financial and administrative officer. “We believe these measures were prudent given ongoing turmoil in the global financial services industry, and that they have enhanced the bank’s overall capacity to serve customers.”

Credit quality in CoBank’s loan and lease portfolio remained good at year-end, with approximately 97.2 percent of loans and leases outstanding ranking in the highest regulatory category used to measure credit quality. Nonaccrual loans and leases increased to \$217.8 million as of December 31, 2008, compared to \$14.8 million the year before. Additionally, CoBank recorded a \$55 million provision for credit losses in 2008, compared to a \$5 million reversal of allowances for credit losses in 2007.

“Our current nonaccrual loans and provision for credit losses reflect a level more consistent with historic averages than the very low levels experienced in 2007, and are attributable primarily to business stress affecting a limited number of our customers,” Engel said. “Going forward, we expect that the credit quality of our lending portfolio will decline modestly as a result of the broader economic downturn.”

Engel noted that the bank’s financial performance in 2009 will be influenced by a variety of external factors, including prices for agricultural commodities and the cost of Farm Credit System debt securities, which serve as the primary source of funds for CoBank loans.

“CoBank’s financial condition remains sound, and we enjoy enormous opportunities in all the industries we serve,” Engel said. “We look forward to serving our customers in the coming year and will continue to deliver value to them as their strategic financial partner.”

### **CoBank Financial Highlights for 2008**

- Total assets were \$61.2 billion at December 31, 2008, a \$9 billion increase from 2007.
- Average loan and lease volume for the year was \$45.4 billion, reflecting year-over-year growth of 28 percent. At year end, total loans and leases outstanding stood at \$44.6 billion, compared to \$40.5 billion at the end of the prior year.
- The Agribusiness Banking Group’s average loan and lease portfolio increased \$3.9 billion in 2008 to \$14.9 billion. At year end, ABG had \$10.6 billion in loans and leases outstanding, accounting for 24 percent of the bank’s total loan and lease volume. The ABG segment serves grain marketing and farm supply cooperatives; biofuel producers; financial cooperatives and other co-ops specializing in cotton, livestock, dairy, timber, sugar, oilseed processing, fruits, nuts and vegetables. The banking group also includes the bank’s Farm Credit Leasing subsidiary, which had leases outstanding of approximately \$1.7 billion at year-end.
- The Strategic Relationships Division’s average loan portfolio increased more than \$3 billion to \$13.7 billion. At year end, the division had \$15 billion in loans outstanding, accounting for 33 percent of the bank’s total loan and lease volume. The SRD portfolio consists of loans to the bank’s five affiliated Farm Credit Associations as well as participations in loans made by three other Farm Credit System banks to certain of their affiliated associations. Of the division’s total loan portfolio, \$10.9 billion is in direct loans to CoBank’s five affiliated Farm Credit Associations, which combined serve more than 27,000 customers in 13 states in the Northeast and Northwest.
- The Communications and Energy Banking Group’s average loan portfolio increased \$1.9 billion in 2008 to \$9.9 billion. At year end, CEBG had \$11.0 billion in loans outstanding, accounting for 25 percent of the bank’s total loan and lease volume. Customers served by the group include energy, communications and water utilities in rural areas throughout the United States.
- The Global Financial Services Group’s average loan portfolio increased \$1.1 billion in 2008 to \$7.0 billion. At year end, GFSG had \$7.9 billion in loans outstanding, accounting for 18 percent of the bank’s total loan and lease volume. The group serves large agribusiness, food and international customers.

## **About CoBank**

CoBank, a \$61 billion Denver-based cooperative bank, provides financing to rural cooperatives and vital industries – food, water, electricity and communications – across the United States. Part of the \$214-billion U.S. Farm Credit System, the bank also finances agricultural exports. In addition to the national office in Denver, CoBank has offices across the United States and an international representative office in Singapore. For more information about CoBank, visit the bank’s web site at [www.cobank.com](http://www.cobank.com).

### **CONTACT:**

Arthur Hodges  
VP, Corporate Communications  
303-740-4061  
[ahodges@cobank.com](mailto:ahodges@cobank.com)

Kyle Henley  
Corporate Communications Manager  
303-694-5862  
[khenley@cobank.com](mailto:khenley@cobank.com)

###

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

**BALANCE SHEET INFORMATION**

As of December 31,	2008	2007
Loans and leases	\$ 44,550	\$ 40,491
Less: Allowance for credit losses	329	447
Net loans and leases	<u>44,221</u>	<u>40,044</u>
Investment securities	11,537	10,434
Cash, federal funds sold, securities purchased under resale agreements and other	3,132	688
Accrued interest receivable and other assets	597	567
Interest rate swaps and other financial instruments	1,675	456
Total assets	<u>\$ 61,162</u>	<u>\$ 52,189</u>
Bonds and notes	\$ 55,365	\$ 47,564
Subordinated debt	1,000	500
Accrued interest payable and other liabilities	907	835
Interest rate swaps and other financial instruments	141	57
Reserve for unfunded commitments	154	-
Total liabilities	<u>57,567</u>	<u>48,956</u>
Shareholders' equity	3,595	3,233
Total liabilities and shareholders' equity	<u>\$ 61,162</u>	<u>\$ 52,189</u>

**STATEMENT OF INCOME INFORMATION**

For the year ended December 31,	2008	2007
Interest income	\$ 2,603	\$ 2,763
Interest expense	1,740	2,118
Net interest income	<u>863</u>	<u>645</u>
Provision (reversal) for credit losses	55	(5)
Net interest income after provision (reversal) for credit losses	808	650
Noninterest income	68	48
Noninterest expenses	215	185
Provision for income taxes	128	97
Net income	<u>\$ 533</u>	<u>\$ 416</u>