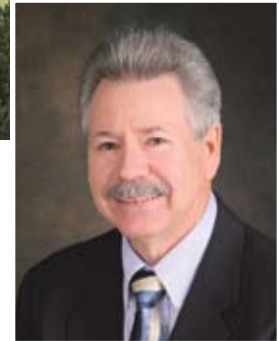




Part of the Farm Credit System

TexasLandBank.com

1-888-467-6411



## A Message From Our CEO

### Staying resilient during tough times

Dear Stockholder:

There's a common saying about the weather that also applies to the economy. If you don't like it right now, wait a while and it will change.

We're experiencing a little of that feeling right now. Last year presented Texas Land Bank with a lot of challenges, because of the worldwide financial crisis, volatile ag markets and general economy. After years of enjoying a positive lending environment and consistently solid loan volume, our operating environment changed significantly last year. We recognize that unfortunately the economic conditions created hardship for some of our customers, too.

It was a good thing that, after more than 90 years in the business, we had experience weathering the ups and downs in the economy. We held steady, thanks in large part to the solid, conservative lending decisions by our board. The cooperative business model upon which Farm Credit is founded also proved to be resilient during tough times.

Thankfully, several months into 2010, the situation shows signs of improvement. Industries that rely on grain prices, such as livestock feeding operations, dairies and ethanol, suffered from a tight financial squeeze caused by extremely high corn prices last year. Now, input costs have stabilized at manageable levels, and market prices have increased, bringing some much-needed relief for many producers. Pork, cattle, poultry and ethanol producers are looking up right now. Unfortunately, much of this relief will come at the expense of grain producers, but commodity prices should also remain at profitable levels.

The situation has improved for dairy producers, too. For a while, the price of milk was lower than the cost of production. Under those conditions, even the best dairy producers could not turn a profit. Fortunately, milk prices are on the rise, so there appears to be some improvement in the dairy industry, although it will be months before that improvement is fully realized.

At Texas Land Bank, we look forward to better days ahead. We are also committed to sharing our success with you, our customer-stockholders, through our patronage program. As always, we thank you for your business and will strive to meet all of your rural financing needs. We hope that 2010 will be a very good year both for Texas Land Bank and for each of our customers.

Sincerely,

Charles P. Gant  
Chief Executive Officer



# Texas Land Bank Continues to Share Earnings With Customers

Texas Land Bank was pleased to return \$4.5 million to our borrowers this year based on our 2009 financial results. Texas Land Bank also reserved a portion of our net earnings to continue to serve borrowers into the future and during tough economic times.

The Texas Land Bank patronage included a cash distribution of \$3 million and an allocation of \$1.5 million. The allocation was a nonqualified distribution, which is not taxable to the stockholder-customer until it is distributed in cash at a future date. This was the 17th consecutive year that Texas Land Bank has declared a patronage payment to our stockholder-customers. With this year's patronage, the cash payments and allocations total \$45.4 million paid to our stockholder-borrowers since 1994.

Every year, the board of directors decides how much of the association's earnings need to be maintained as capital to fund

the association's growth. After that, we are able to return the remainder as a patronage refund to you.

This year, the board had a lot to consider. The difficulties in the financial markets in 2009, coupled with extreme volatility in many agricultural commodity markets, created additional risks for the association. However, in spite of these extreme operational challenges, the association generated record net income for 2009. As a result, the board was able to declare another very good patronage for the stockholder-borrowers.

Texas Land Bank is committed to paying patronage to you. It's the cooperative way. Paying patronage is a direct result of our cooperative structure. Because you, our customer, are a part-owner, you share in our earnings. That's the basic philosophy behind our patronage refund program. No other type of lender offers you such an advantage.

## Clay and Rebecca Barton Participate in Farm Credit Young Leaders Program



Clay and Rebecca Barton of Cameron recently heard firsthand about how well the Farm Credit System is faring despite this year's volatility in the financial markets. The couple was among 23 young agricultural producers selected to attend the 2009 Farm Credit Young Leaders Program. As member-borrowers of the Farm Credit System, and specifically Texas Land Bank, the couple was given an opportunity to interact with decision-makers and Farm Credit System leaders and get a behind-the-scenes look at how the System operates.

During the four-day event, sponsored by the Tenth District Farm Credit Council, participants traveled to Washington, D.C., and New York City for tours, special briefings and meetings with government, System and financial leaders. Each lending co-op in the district was invited to select an individual or couple to participate in the program.

Clay owns property in Milam and Falls counties and leases additional acreage on which to run his cattle operation. He is also the manager of Temple Bolt & Supply Corp., an industrial supply company in Temple.

The trip included meetings with agriculture industry representatives, officials of the Farm Credit Council and congressional leaders in Washington, D.C. The group also had a briefing at the Federal Farm Credit Banks Funding Corporation and toured the financial district in New York City.

# After More Than 90 Years, Farm Credit System Remains Strong

What if you couldn't get a real estate loan with terms longer than five years?

That was the reality facing rural residents in the early 1900s. Until 1913, federal law prohibited national banks from making loans with maturities beyond five years. The short terms, combined with prohibitively high rates, created a crisis for the nation's rural population, particularly for farmers who could not readily secure loans on fair terms.

President Theodore Roosevelt called for an analysis of other nations' rural credit systems to find a solution. The research led to the 1916 Federal Farm Loan Act that created the national Farm Credit System.

Lawmakers chose a cooperative credit structure, in which the customers are also stockholder-owners. The law set up 12 Federal Land Banks, and the System was provided with \$125 million in government seed money but was financed by private capital from investors.

Since 1916, Farm Credit has undergone some significant changes. Mergers and consolidations have changed the lending landscape. The Farm Credit System now has five banks, one of which is the Farm Credit Bank of Texas, which provides funds to Texas Land Bank.

More important, however, are the factors that have remained unchanged. The System continues to be a reliable source of loans for creditworthy borrowers throughout rural America. Throughout the years, including the recent worldwide financial turmoil, Farm Credit has remained strong. American farmers, ranchers and other rural citizens have come to rely on Farm Credit associations like Texas Land Bank to be a reliable source of credit.

At Texas Land Bank, we strive to meet the financing needs of our customer-owners and are proud of our heritage as a part of the nationwide Farm Credit System.

## Notice to Stockholders

Texas Land Bank knows that transparent financial disclosure is an important part of a healthy organization. By now, all Texas Land Bank stockholders should have received our 2009 Annual Report.

We want you also to be aware that you can access the 2009 annual reports of the Texas Farm Credit District, of which Texas Land Bank is a part, and the Farm Credit Bank of Texas, our funding bank. These annual reports can be found online at [www.farmcreditbank.com](http://www.farmcreditbank.com) under the "News and Financials" tab.



## A New Resource from Texas Land Bank

Texas Land Bank is pleased to introduce Ag Banking Online, a new online banking system that you can access from your home computer. Ag Banking Online is one of several cash management solutions offered by Texas Land Bank.

With Ag Banking Online, you can view your account information and make loan payments.

Ag Banking Online is another way for Texas Land Bank to provide our borrowers with great customer service and convenient products to help them with their success.

Visit our website at [www.texaslandbank.com](http://www.texaslandbank.com) for sign-up information, or call your local office to visit with us about all of our cash management products.

# Community Involvement



## March of Dimes March for Babies

Texas Land Bank participated in two March of Dimes March for Babies walks this spring. Approximately \$5,500 was raised by employees, stockholders, family and friends for this worthwhile cause whose mission is to improve the health of babies by preventing birth defects, premature birth and infant mortality. Over \$1,800 of that money was donated by Texas Land Bank stockholders at the annual meeting in April.



## Cooking for a Cause

Employees of the Texas Land Bank Waco Credit Office recently cooked a hamburger meal as part of their annual sponsorship and participation with the Waco Board of Realtors during American Home Week. Proceeds from the luncheon benefit the local Rainbow Room, which is a resource center available to CPS caseworkers to help them meet the critical needs of abused and neglected children. Texas Land Bank has supported this cause for several years.



## Throwback Student Athletic Organization

Charles Gant, Texas Land Bank CEO, and Charlene Lightfoot, vice president of administrative operations, accept a plaque from Ronald Harris, founder of the Throwback Student Athletic Organization. The nonprofit youth organization helps student athletes transition from high school to college by providing access to tutoring, mentoring, counseling, field trips and recreational programs. Texas Land Bank is proud to be a sponsor of the group, because it promotes education, sportsmanship and athletic development.