



## NEWS RELEASE

### **U.S. AgBank and CoBank Submit Merger Application To Farm Credit Administration**

*Stockholder Votes On Merger Will Follow Receipt Of Regulator's Preliminary Approval*

*Banks Targeting October 1, 2011, For Merger Close*

**WICHITA, KANSAS, AND DENVER, COLORADO (March 31, 2011)** — U.S. AgBank and CoBank, two of the five banks in the Farm Credit System, announced today that they have submitted their merger application to the Farm Credit Administration (FCA), the System's independent regulator.

Following unanimous votes by the boards of the two banks, the application was submitted yesterday afternoon at the FCA's headquarters in McLean, Virginia. 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 a given transaction.

After receiving a completed merger application, the FCA has 60 days to act on the merger request. 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 on October 1, 2011.

"We're extremely pleased to have reached this important step in the merger process," said John Eisenhut, chairman of the U.S. AgBank board of directors. "We believe our application fully satisfies all regulatory requirements governing mergers of Farm Credit System banks, and we look forward to working with the FCA staff over the next 60 days to address any questions they may have about the transaction so that we can bring the merger proposal to our shareholders later this year."

"Our two boards remain unanimous in their support for the merger, which will bring together two financially sound, profitable, cooperative banks to create an even stronger, more durable institution," said Everett Dobrinski, chairman of the CoBank board. "We believe the merger is the right long-term decision for the farmers, ranchers, cooperatives and other borrowers we serve across rural America. The combined bank will be uniquely well positioned to fulfill its mission and meet the financial needs of its customers, both today and for future generations."

U.S. AgBank is headquartered in Wichita and provides wholesale loan funds and financial services to Farm Credit associations in the states of Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Oklahoma, Utah, southeastern Idaho and the western edge of Wyoming. It had approximately \$25 billion in total assets at December 31, 2010.

CoBank is headquartered in Denver, Colorado, and provides wholesale funds to Farm Credit associations serving Alaska, Connecticut, Idaho, Maine, Massachusetts, Montana, New Hampshire, New Jersey, New York, Oregon, Rhode Island, Vermont and Washington. The bank also provides direct loans, leases,



export financing and other financial services to agribusinesses and rural infrastructure providers in all 50 states. CoBank had approximately \$66 billion in total assets at December 31, 2010.

The merged bank would continue to do business under the CoBank name and be headquartered in Colorado, but it would maintain U.S. AgBank's existing presence and operations in Wichita and Sacramento, California. Robert B. Engel, CoBank's president & chief executive officer, would be the chief executive of the combined entity.

Darryl Rhodes, president & chief executive officer of U.S. AgBank, who will be retiring shortly after the completion of the merger, noted that since the boards of the two banks executed a Letter of Intent (LOI) to merge in December, CoBank and U.S. AgBank have completed a formal due diligence process that included a detailed review of everything from legal contracts and personnel policies to liquidity investment positions and the banks' respective loan portfolios.

"The analysis we've conducted over the past few months has deeply reinforced the myriad benefits offered by this merger," Rhodes said. "Those benefits include significantly improved diversification of the loan portfolio and revenue sources, an improved capital position, and an enhanced ability to attract and retain high-quality employees. We're delighted with the progress we have made so far and look forward to bringing these two great organizations together in the near future."

Engel said the banks are also intently focused on integration planning and on ensuring that customers continue to receive high-quality service following the merger close.

"We are committed to a seamless transition and to making sure there is no disruption in the delivery of credit and other strategic financial services to our customers in rural America," Engel said. "We're confident in our ability to execute a thoughtful and carefully planned integration process that delivers on that important promise."

The merged bank would continue to be organized and operate as a cooperative, with eligible borrowers earning cash and equity patronage based on the amount of business they do with the organization. On the effective date of the merger, the CoBank and U.S. AgBank boards would be temporarily combined. Following a transition period, the merged bank's board would have directors elected from six regions across the country, with half elected via one-member-one-vote and half elected on a modified equity basis. The board would also have a number of outside and appointed directors.

Complete details on the governance structure of the combined bank and other information about the merger proposal will be provided to the banks' customer-owners in connection with distribution of materials for the shareholder vote once the FCA has granted preliminary approval of the transaction.

### **About U.S. AgBank**

U.S. AgBank provides loan funds and financial services to Agricultural Credit Associations (ACAs), Federal Land Credit Associations (FLCAs), and other financing institutions across 11 states. Headquartered in Wichita, Kansas, the bank has approximately \$25 billion in total assets. Through its associations, the bank supports the credit and financial services needs of farmers, ranchers and other rural borrowers throughout its lending territory. For more information about U.S. AgBank, visit the bank's web site at [www.usagbank.com](http://www.usagbank.com).

### **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. 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](http://www.cobank.com).

### **About Farm Credit**

U.S. AgBank and CoBank are members 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. For more information about the Farm Credit System, visit [www.farmcredit.com](http://www.farmcredit.com).

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