

News Release

Farm Credit Administration
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For Immediate Release
NR 11-12 (06-22-11)

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FCA Board Grants Preliminary Approval for Plan of Merger by U.S. AgBank and CoBank

McLEAN, Va., June 22, 2011 — The Farm Credit Administration (FCA or agency) Board today granted preliminary approval of the merger plan by and between U.S. AgBank, FCB, and CoBank, ACB. The agency's preliminary approval is subject to certain conditions, including approval by the voting stockholders of both banks. If the plan is approved by stockholders, FCA will consider the plan for final approval.

Under the merger plan, CoBank, FCB, a wholly owned subsidiary of CoBank, ACB, will be chartered. U.S. AgBank, FCB, will then be merged into CoBank, FCB.

An FCB, which stands for Farm Credit Bank, has authority under Title I and Title II of the Farm Credit Act of 1971, as amended, to provide services and funds to its affiliated associations, which, in turn, make long-, intermediate-, and short-term loans to farmers, ranchers, producers and harvesters of aquatic products, rural residents for housing, and some agriculture-related businesses. An ACB, which stands for Agricultural Credit Bank, has authority under Title III of the Farm Credit Act to lend to agricultural cooperatives and rural utilities. In addition to its Title III authorities, an ACB also has the authorities of an FCB.

After the merger, CoBank, FCB, and its affiliated institutions would be responsible for the Title I and Title II lending in the former U.S. AgBank territory, as well as the territory in which CoBank, ACB, currently has authority under Title I and Title II.

The FCA Board also requires that the boards of directors of both banks issue a certified board resolution accepting FCA's conditions of approval.

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FCA performed a thorough financial analysis of the merger proposal. The agency also considered other aspects of the merger, including the merged bank's Title III lending activities and loan participations, the impact of the merger on the joint and several liability obligation of System banks, the risk profile and management concentration of the merged bank, risks associated with the increased size and complexity of the merged bank, and ways to mitigate risks.

If the merger takes place, CoBank, ACB, will be the continuing institution with an FCB subsidiary, CoBank, FCB, and the effective date of the merger will be no later than January 1, 2012. The headquarters will be located in Greenwood Village, Colo., the current headquarters of CoBank, ACB.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 96 banks, associations, service corporations and special-purpose entities of the Farm Credit System, which makes loans to agricultural producers and their cooperatives nationwide. This includes Farmer Mac, which provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Leland A. Strom, Chairman and CEO; Kenneth A. Spearman; and Jill Long Thompson.

Note: FCA news releases are available on the Web at www.fca.gov.

Note to Editors: The FCA Board Members have released statements they presented at today's meeting recognizing that these statements have not yet become part of the official minutes. The minutes of today's Board meeting will be considered at the July 14 FCA Board meeting. The statements have been posted on the FCA website. Links to the statements can be found on the front page under Recent Updates.