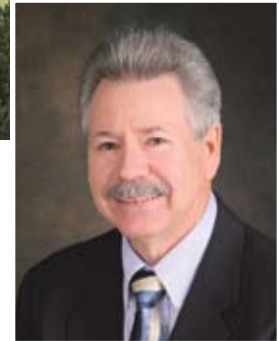




Part of the Farm Credit System

TexasLandBank.com

1-888-467-6411



A Message From Our CEO

Staying Strong in Turbulent Times

Dear Stockholder,

At Texas Land Bank you are more than just a customer — you are a stockholder, an owner and the reason for our existence. We always work to keep that top of mind, and it's never been more important than right now. During uncertain times, it is important to stay focused on the fundamentals and remember to put first things first. At Texas Land Bank, our first priority is you, our customer.

Since Farm Credit was established in 1917, we have always had a mission to provide creditworthy agricultural producers and rural Americans with reliable access to competitive credit. We are as focused on that mission today as we were in the beginning. We believe that fulfilling that mission requires a dedication to the people who use our services and own our business.

We are committed to making sound business decisions that are in your best interest. For example, we are paying close attention to credit analysis and review, pricing and structuring loans to the market, and closely servicing our existing portfolio. By staying true to these basics of lending, we feel confident that we will successfully navigate through today's stormy financial waters.

Texas Land Bank's commitment to our customers also was reinforced recently by the board of directors' decision to distribute patronage to our member-stockholders. Based on 2008 earnings, approximately \$2.75 million was recently paid in cash patronage and approximately \$4.13 million was allocated to stockholders.

Doing business with Farm Credit is about more than just getting a loan; it is entering into a relationship with your lender. We recognize that, for many borrowers, times are tough right now. Some customers will face financial hardships in the year ahead; others might have questions about the stability of your co-op association.

Fortunately, the Farm Credit System is still strong, despite the recent downturn in the financial markets. Also, we are blessed to live in Texas. So far, our state has fared better than many other areas of the nation. However, we are not immune to the effects of a recession of large magnitude. It will undoubtedly impact our regional economy and many of our borrowers in 2009.

We want to encourage you to call us if you have any questions or concerns. It is important that we maintain communication with you in order to best serve you at this time.

Sincerely,

Charles P. Gant
Chief Executive Officer

Congratulations to Retiree Brenda Rhodes

Brenda Rhodes started with the Federal Land Bank Association of Corsicana (later part of Texas Land Bank) on July 15, 1991. She retired Dec. 31, 2008, after more than 17 years with Texas Land Bank's Corsicana credit office.

During retirement, Brenda plans to spend more time with her husband, Elwyn Rhodes, and their children and grandchildren. She hopes to do some traveling and catch up on all the fun things at home, such as scrapbooking, gardening and redecorating. Brenda also enjoys being involved in her church as pianist and Sunday school teacher.

Texas Land Bank thanks Brenda for her many years of service.



Pictured from left to right are Charlene Lightfoot, Karen Duskocil, Brenda Rhodes, Linda Herd and Mary Dillard

Referrals Are Still Best Source of New Business

Today's consumers have a wealth of information at their fingertips. It's never been easier to find out about companies and research options. For the same reason, it's never been harder to sort through the clutter and make the best decision.

Perhaps that's why, despite modern technology, people still say that the recommendation of someone they know is their No. 1 reason for choosing to do business with a particular company.

At Texas Land Bank we are proud that most of our business is generated by you. Your referrals keep new business coming into the co-op. For that, we thank you. We place a high value on those referrals because it also shows us that we have satisfied customers. It is our goal to provide all of our customers with a positive lending experience, so that they each will recommend someone they know to Texas Land Bank

These referrals benefit you, as well. As you continue to recommend creditworthy customers to Texas Land Bank, the co-op gets stronger, earnings increase, and those benefits are shared with you through our patronage program.

Farm Credit Young Leaders Visit Nation's Capital



Farm Credit Bank of Texas Board Chairman Buddy Cortese presents a leadership award to Brent and Kim Neuhaus during the Young Leaders Program.

The nation's financial situation was a key topic of conversation for 15 young Farm Credit borrowers who had an opportunity to interact with decision makers and Farm Credit System leaders in Washington, D.C., as part of the third annual Farm Credit Young Leaders Program last October.

Texas Land Bank customers Brent and Kim Neuhaus of Waco attended the four-day event, which was sponsored by the Tenth

District Farm Credit Council. The program was designed to give young Farm Credit stockholders an up-close look at the Farm Credit System. The trip included meetings with 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 in Newark, N.J., and toured a Wall Street brokerage firm in New York City.

"This event was a great opportunity for these young people, who are the future leaders of the agriculture industry and their respective communities throughout our five-state territory. It gave them a firsthand look at the Farm Credit System and provided insight into our nation's financial network and legislative process," said Jimmy Dodson, chairman of the district council.

The Tenth District Farm Credit Council is the trade association that represents the legislative and regulatory interests of the Tenth Farm Credit District.

Brent and Kim farm and ranch in McLennan and Falls counties. Brent is owner and manager of Brazos Valley Equipment John Deere Dealership, which has locations in Waco and Hillsboro. Kim is a first-grade teacher with Midway ISD.

Texas Land Bank is proud to have Brent and Kim as Farm Credit Young Leaders representing the association.

Texas Land Bank Welcomes New Employees



Stacey Wright

Stacey Wright recently joined the staff in the Corsicana credit office as a customer service representative and loan processor. She came to Texas Land Bank with

six years' experience in the Farm Credit System. Prior to joining us, she lived in Athens, Texas.

A native of the area, Stacey grew up in Blooming Grove, Texas, where she graduated from high school. She earned an associate's degree in multimedia technology at Navarro College in Corsicana, Texas.

She now resides back in her hometown of Blooming Grove, where she enjoys spending time with friends and family.



Lyndi Sanders

Lyndi Sanders recently joined Texas Land Bank as a credit analyst in the Waco credit office. Prior to joining Texas Land Bank, she worked in the areas of project

management, sales and animal health and nutrition.

Lyndi spent her childhood on a commercial stocker cattle ranch, where she developed a deep interest in agriculture. She graduated from Robinson High School before attending Texas A&M University, where she earned her bachelor's degree in agricultural development and is currently completing a master's degree in agricultural development.

She and her husband presently live in Cameron, Texas, but are relocating their small quarter horse operation to the Waco area.



Texas Land Bank — The Lender Who Pays You Back!

Texas Land Bank was pleased to return \$2.75 million to our borrowers this year based on our 2008 financial results. Texas Land Bank also reserved a portion of our net earnings to continue to serve borrowers during tough economic times.

The patronage includes a cash distribution of more than \$2.75 million. An additional sum of almost \$4.13 million has been allocated for distribution in future years.

Every year, the Texas Land Bank 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, your Texas Land Bank Board of Directors declared a patronage payment totaling \$6.88 million, based on our strong financial results for 2008.

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 a benefit.

Earnings Reserved for You

In addition to our cash patronage program, Texas Land Bank also allocates the remainder of our profits to our borrowers based on how much they borrow from the association. In other words, part of our earnings is earmarked in your name and can be returned to you later. This allows the association to use the capital to fund growth and, at the same time, to keep all of its earnings allocated to its borrowers. Periodically, the association board of directors will plan to retire a part of the allocated equity, and you will receive that portion in cash.

Referrals Keep Business Growing

At Texas Land Bank, we recognize that our success depends on you. Our mission is to serve you well by providing the financing and cash management tools you need to be successful. And when you are successful, we are accomplishing our mission.

A good part of our success has resulted from word-of-mouth referrals by customers like you. These referrals are invaluable in making the association effective. The more new business we generate, the greater our earnings, and the more we can return in patronage. It's a win-win situation.

Thank you for your business, and please call us whenever we can help with your financing needs.

Market Risk Drives Shorter Loan Terms

Next time you are shopping for a loan, you may find that many lenders are hesitant to offer long terms. And if they do, they'll probably charge significantly higher rates for the longer terms. Contrast that to just one year ago, when 30-year fixed-rate mortgages were commonplace in the home-lending business.

As you might expect, this change in lending practices is the result of the volatility that has occurred in the global financial markets since the summer of 2008.

Loans are priced based on the amount of risk or uncertainty involved in the loan. Longer-term loans are inherently more risky than shorter-term loans. With a 30-year loan versus a five-year loan, there is more time for market conditions to change and for the borrower to default on the obligation. Given the fact that nobody can predict the market's future, lenders today are generally less willing to risk making long-term loans.

A lender's cost of funds is also a factor in loan pricing. In the case of Texas Land Bank, we obtain our funding from the Farm Credit Bank of Texas, which receives its funds from the sale of bonds and securities in the nation's money markets. The bank's cost to issue this debt is more expensive for longer yields. To the extent that the loan terms can be shortened, the cost of the debt moves down the

pricing curve, resulting in lower interest rates on the loan. This shortening can be in the form of a shorter fixed-rate period, a long-term amortization with a short balloon payment or a shorter amortization period.

Shorter terms often work to a customer's advantage. Over time, the interest charges are significantly less for a shorter- than a longer-term loan, because the loan amortizes more quickly. The shorter the term, the quicker the borrower accumulates equity and gains the ability to withstand adversity. For example, a five-year amortizing loan that starts off with a loan-to-value ratio of 80 percent will improve to a level of approximately 50 percent after two years of payments. With a 30-year loan, it will take more than 20 years to achieve that same level of collateral protection.

As a lending cooperative that is owned by our customers, Texas Land Bank must stay focused on the long-term viability of the organization. We have an obligation to price loans appropriately so we can weather the risks involved, in order to maintain our earnings performance. Then, in the future, we can pay back our customer-stockholders through patronage.

At Texas Land Bank, you and your loan officer choose the loan characteristics that are best for you – level principal or standard amortization term, interest-only payments, payment frequency, balloon payments, etc. While we need to ensure that loan pricing is commensurate to the risk present in the transaction, you can rest assured that we always consider your best interests when structuring your loan.

Texas Land Bank – The Right Choice for All Your Rural Financing Needs

If you have bought land with us, you already know about our quality service, competitive rates and flexible terms. But what you might not realize is how much more we have to offer you.

We can truly be your full-service lender, providing loans for needs like property improvements, country homes and purchasing or leasing equipment. We also offer operating lines of credit for agri-business customers, along with a range of cash management and insurance products.

When you are ready to take the next step with your property – whether you want to install a pond, build a barn or purchase live-stock – give us a call. Improvements can be expensive, and the right loan package from Texas Land Bank can be a huge help.

Why go elsewhere for additional financing and services when you can stick with the lender you already trust? Plus, in many cases, you may receive patronage benefits from additional loans.

Find out all that Texas Land Bank can do for you. We will be happy to sit down with you and assess your financing needs. To find out more, call your local loan office.



Come see us at www.texaslandbank.com