U.S. AgBank DISTRICT

2007 ANNUAL REPORT

U.S. AGBANK, FCB

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Donnell Spencer
Richfield, Utah

David Vanni
Gilroy, California

Robert J "Bob" Wietharn
Clay Center, Kansas

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Executive Officers

Darryl W. Rhodes, President & Chief Executive Officer

David D. Janish, Senior Vice President - Finance

James L. Grauerholz, Senior Vice President - Administration

Dennis E. Grizzell, Senior Vice President - Credit

Gregory J. Buehne, Senior Vice President - Legal and Legislative Services

Thomas R. Kruse, Senior Vice President - Internal Audit and Quality Assurance

Corporate Address

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Sacramento, CA 95864-5901
(916) 973-3014

U.S. AgBank Website
www.usagbank.com

U.S. AgBank District
2007 Annual Report

Message from the Chairman of the Board and the Chief Executive Officer

To Our Shareholder Customers:

We are very pleased to provide you the 2007 U.S. AgBank District annual report. The District's strong performance continued during 2007 with total loans outstanding of $19.8 billion, a 12.1% increase from 2006, record core earnings of $420.5 million, and very strong credit quality at 98.3% acceptable and other assets especially mentioned. Our financial success is due to the favorable agricultural economic conditions that existed during 2007, and the hard work, dedication, and experience of our Boards of Directors and staff throughout the AgBank District.

We are very proud to be a part of the success of American agriculture. We are also proud of our record of over 90 years as a cooperative lender to our farmer, rancher, and agribusiness customers. Our cooperative principles, including most Associations paying patronage dividends, have helped us grow and be successful in a very competitive agricultural lending environment. Association Boards of Directors approved payment of a record $113.9 million in cash patronage refunds to our customers in 2007. The return of these profits demonstrates our dedication to our customers.

If you have any questions about this report, or if we can assist you with your financing needs, please contact your local Association office. Our employees are knowledgeable professionals committed to providing financial services to our loyal and growing customer base that has enabled us to achieve these very positive results for 2007. A list of Association locations and their websites is included at the back of this report. You can also find this and other information on the AgBank website at www.usagbank.com under the "Location" link.

If you would like to access the combined Farm Credit System's financial information, the System's Annual Information Statement is available at www.farmcredit-ffcb.com.

Thank you for your business and we wish you a productive and prosperous year in 2008.

Glen A. Rector
Chairman of the Board

Darryl W. Rhodes
President and Chief Executive Officer

CORPORATE PROFILE

The U.S. AgBank District (District) is made up of U.S. AgBank, FCB (AgBank), 29 affiliated Associations (Associations), and AgVantis, Inc., which is primarily a technology service corporation owned by AgBank and nineteen Associations. Each of these institutions, along with nearly 70 other institutions, comprise the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 90 years. The System mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States.

The Farm Credit Administration is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions. The System is a government-sponsored enterprise (GSE) and its institutions are instrumentalities of the United States.

As a cooperative, AgBank is owned by its 29 customer Associations. This structure provides the Associations a vested interest and a voice in the business affairs of AgBank. The Associations benefit from their ownership of AgBank in two important ways. Through the delivery of funding to all Associations, AgBank achieves economies of scale that could not be achieved by the Associations individually. In addition, AgBank shares its profits with the Associations through patronage refunds. The patronage refunds paid to Associations reduce the cost of borrowing and benefit the farmer and rancher customers of the Associations.

AgBank is one of five System Banks that are stockholders in the Federal Farm Credit Banks Funding Corporation which sells Systemwide Debt Securities in the nation's capital markets on behalf of the System Banks. Because the System issues large volumes of securities with GSE status, the System benefits from a dependable and competitively priced source of funding. Systemwide Debt Securities are the general unsecured joint and several obligations of the System Banks. Systemwide Debt Securities are not obligations of, and are not guaranteed by, the United States. In addition, Systemwide Debt Securities are not the direct obligations of the Associations and, as a result, the capital of the Associations may not be directly available to satisfy any principal or interest payments on Systemwide Debt Securities.

AgBank meets the funding needs of Associations with products and pricing methodologies that provide "match funding" of loans in the Association portfolios. The wholesale funding AgBank provides typically matches the terms and embedded options of the retail loans held by Associations. Therefore, the main sources of interest rate risk are incurred and managed at AgBank, and Associations are substantially protected from interest rate risk.

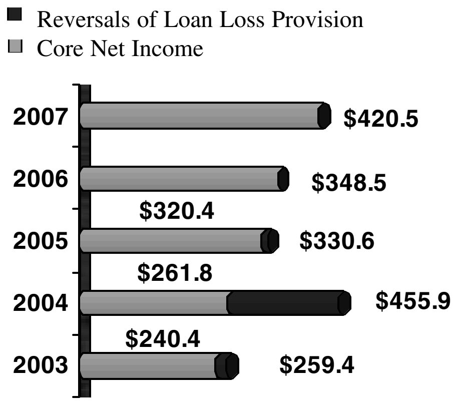
The District's chartered territory is comprised of Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Oklahoma, Utah, southeastern Idaho, and the far western edge of Wyoming. AgBank provides loan funds and other services to Agricultural Credit Associations (ACAs), Federal Land Credit Associations (FLCAs), and other financing institutions that serve these eleven states. Each Association offers a wide range of loan products and financial services to farmers and ranchers in its chartered territory.

This annual report does not constitute an offer to sell or a solicitation of an offer to buy Systemwide Debt Securities. Systemwide Debt Securities are offered by the Federal Farm Credit Banks Funding Corporation on behalf of the System Banks pursuant to offering circulars for each type of debt offering.

FINANCIAL PERFORMANCE HIGHLIGHTS

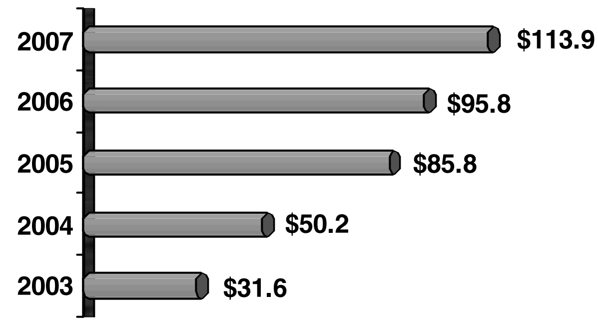
Net Income

$ in millions



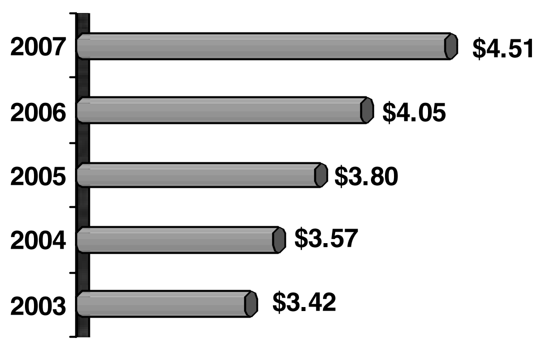
Patronage Refunds

$ in millions



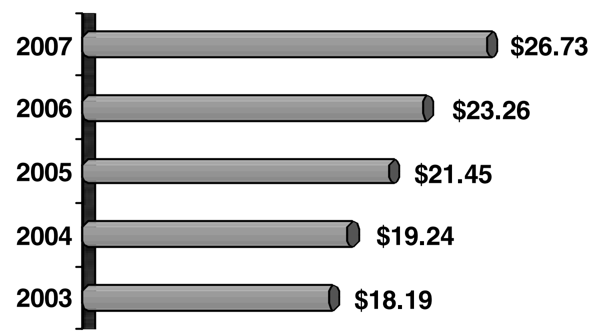
Total Risk Funds

$ in billions

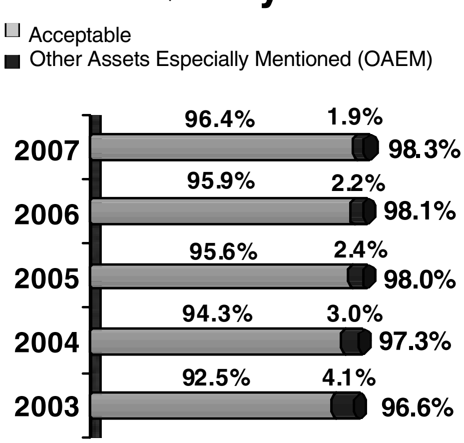


Total Assets

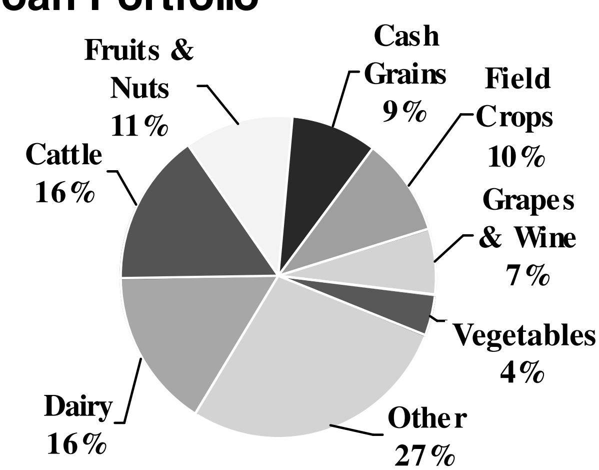
$ in billions



Credit Quality



Loan Portfolio



Five-Year Summary of Selected Combined Financial Data

U.S. AgBank District

(Dollars in thousands)

	December 31				
	2007	2006	2005	2004	2003
Combined Statement of Condition Data					
Loans	**$ 19,755,680**	$ 17,625,736	$ 16,781,194	$ 15,536,421	$ 14,890,350
Less: Allowance for loan losses	**66,164**	64,637	65,309	81,018	291,503
Net loans	**19,689,516**	17,561,099	16,715,885	15,455,403	14,598,847
Cash and federal funds	**274,540**	217,465	246,785	307,931	162,122
Investment securities	**6,152,316**	4,913,848	4,015,006	3,093,881	3,010,147
Other property owned	**3,974**	6,793	2,331	4,299	7,390
Other	**608,187**	558,488	470,694	383,174	412,080
Total assets	**$ 26,728,533**	$ 23,257,693	$ 21,450,701	$ 19,244,688	$ 18,190,586
Obligations with maturities of one year or less	**$ 9,008,995**	$ 7,101,415	$ 6,389,415	$ 5,931,663	$ 5,252,085
Obligations with maturities greater than one year	**13,274,953**	12,174,431	11,329,280	9,824,113	9,814,557
Total liabilities	**22,283,948**	19,275,846	17,718,695	15,755,776	15,066,642
Stock and participation certificates	**473,380**	219,291	240,136	229,285	233,087
Retained earnings	**4,098,753**	3,817,841	3,573,829	3,334,883	2,933,426
Accumulated other comprehensive income/(loss), net of tax	**(127,548)**	(55,285)	(81,959)	(75,256)	(42,569)
Total shareholders' equity	**4,444,585**	3,981,847	3,732,006	3,488,912	3,123,944
Total liabilities and shareholders' equity	**$ 26,728,533**	$ 23,257,693	$ 21,450,701	$ 19,244,688	$ 18,190,586

	For the Year Ended December 31				
	2007	2006	2005	2004	2003
Combined Statement of Income Data					
Net interest income	**$ 663,833**	$ 592,031	$ 529,864	$ 480,146	$ 444,101
(Provision for loan losses)/Loan loss reversals	**(3,583)**	(7,516)	10,165	194,096	18,976
Noninterest expenses, net	**(236,199)**	(236,430)	(206,427)	(204,066)	(200,418)
(Provision for)/Benefit from income taxes	**(3,552)**	427	(2,994)	(14,231)	(3,295)
Net income	**$ 420,499**	$ 348,512	$ 330,608	$ 455,945	$ 259,364
Combined Key Financial Ratios					
Return on average assets	**1.69%**	1.58%	1.67%	2.50%*	1.48%
Return on average total shareholders' equity	**9.51%**	8.87%	9.00%	13.75%*	8.78%
Net interest income as a percentage of average earning assets	**2.74%**	2.76%	2.73%	2.67%	2.57%
Net charge offs as a percentage of average net loans	**0.01%**	0.05%	0.04%	0.11%	0.21%
Shareholders' equity as a percentage of assets	**16.63%**	17.12%	17.40%	18.13%	17.17%
Debt to shareholders' equity	**5.01:1**	4.84:1	4.75:1	4.52:1	4.82:1
Allowance for loan losses as a percentage of gross loans	**0.33%**	0.37%	0.39%	0.52%*	1.96%
Operating expense as a percentage of net interest income	**42.42%**	45.20%	44.41%	47.72%	51.63%
Operating expense as a percentage of average loans	**1.54%**	1.59%	1.50%	1.54%	1.55%
Operating expense as a percentage of average assets	**1.13%**	1.22%	1.19%	1.26%	1.31%
Permanent capital ratio (Bank only)	**20.68%**	20.42%	21.93%	22.53%	21.36%
Total surplus ratio (Bank only)	**17.52%**	17.00%	18.70%	19.33%	18.46%
Core surplus ratio (Bank only)	**14.17%**	11.56%	12.96%	13.89%	12.95%
Net collateral ratio (Bank only)	**105.03%**	105.06%	105.03%	105.14%	105.17%
Net Income Distribution					
Patronage refunds to borrowers	**$ 113,907**	$ 95,810	$ 85,835	$ 50,208	$ 31,552
Dividends	**$ 21,782**	$ 8,690	$ 5,827	$ 4,280	$ 1,109

* Included in the calculation of 2004 returns on average assets and average shareholders' equity and the allowance for loan losses as a percentage of assets were one-time reversals of the allowance for loan losses of $186.1 million. Excluding the one-time reversals of the allowance for loan losses, the return on average assets would have been 1.48 percent and the return on average shareholders' equity would have been 8.14 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS

U.S. AgBank District

(Dollars in thousands, except as noted)

INTRODUCTION/ORGANIZATION

The following discussion summarizes the combined financial position and results of operations of U.S. AgBank, FCB (AgBank), the affiliated Associations and AgVantis, Inc. (AgVantis) for the year ended December 31, 2007. Comparisons to prior years are included. The affiliated Agricultural Credit Associations (ACAs), Federal Land Credit Associations (FLCAs), and Production Credit Associations (PCAs) are collectively known as "Associations," and AgBank, the Associations and AgVantis are collectively referred to as the "District."

We have emphasized material known trends, commitments, events, or uncertainties that have impacted, or are reasonably likely to impact the financial condition and results of operations of the District. You should read these comments along with the accompanying financial statements, footnotes and other sections of this report. The Management's Discussion and Analysis includes the following sections:

- Basis of Presentation
- District Overview
- Results of Operations
- Agricultural Overview
- Loan Portfolio
- Credit Risk Management
- Liquidity
- Capital Resources
- Interest Rate Risk Management
- Other Risks
- Regulatory Matters
- Proposed Federal Legislation
- Governance
- Forward-Looking Information
- Critical Accounting Policies and Estimates
- Customer Privacy

BASIS OF PRESENTATION

The combined financial statements and related financial information in this Annual Report include the accounts of AgBank, the Associations and AgVantis. The financial statements are presented on a combined basis due to the financial and operational interdependence of the District entities. This interdependence results, in part, from AgBank serving as a financial intermediary between the capital markets and the retail lending activities of the Associations. As a result, the loans made by Associations to their borrowers are substantially funded by AgBank with the issuance of Systemwide Debt Securities. Although only AgBank, along with the other four System Banks, are jointly and severally liable for the repayment of Systemwide Debt Securities, the repayment is dependent upon the ability of the borrowers to repay their loans from the Associations and the Associations to repay their loans from AgBank. Under this presentation, the accounts of the District entities are combined, with all intra-District transactions and balances eliminated in combination. Certain amounts in prior years' financial statements have been reclassified to conform to current financial statement presentation.

DISTRICT OVERVIEW

There are 29 Associations in the District. Twenty-six Associations are Agricultural Credit Associations (ACAs) and three are Federal Land Credit Associations (FLCAs). Each Association operates with a chartered territory. Each ACA has an FLCA subsidiary and a PCA subsidiary. Standalone FLCAs and FLCA subsidiaries of ACAs make mortgage loans to members. Funds for these loans are borrowed from AgBank. AgBank also loans funds directly to ACAs, PCA subsidiaries and other financing institutions (OFIs) which, in turn, provide operating and intermediate-term credit to farmers and ranchers. The Associations serve territories in Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Oklahoma, Utah, southeastern Idaho and the far western edge of Wyoming. At December 31, AgBank loans to Associations in total were $15.74 billion for 2007, $14.13 billion for 2006 and $13.37 billion for 2005. Loans to the Associations have been eliminated in combination.

Effective January 1, 2005, AgCredit Financial, ACA merged with American AgCredit, ACA. As of December 31, 2007, 2006 and 2005, there were 29 Associations in the District.

Anticipated for May 1, 2008, Sacramento Valley Farm Credit, ACA headquartered in Woodland, California will merge into Farm Credit West, ACA headquartered in Visalia, California. The new headquarters are planned to be in the Sacramento, California area.

Each Association serves a unique marketplace and must address its own competitive lending environment. Competition from other lenders continues to be particularly strong for high-quality large accounts. The degree of competition varies, depending on the appetite for agricultural loans by local and regional banks, large commercial banks, and insurance companies in any given area. We have been very competitive with other lenders due to our image and reputation in the agricultural community. We offer a variety of loan products, provide high quality service, offer attractive interest rates, and most Associations pay patronage refunds. The payment of patronage refunds to borrowers is a sharing of operating profits. This is unique in the marketplace due to our cooperative structure and is a significant financial benefit to our borrowers.

AgVantis is a service corporation owned by AgBank and 19 Associations. AgVantis provides technology and other operational services to certain Associations and AgBank. Financial activity between AgVantis and AgBank or AgVantis and Associations has been eliminated in combination.

RESULTS OF OPERATIONS

Earnings Summary

In 2007, we recorded net income of $420.5 million compared with $348.5 million for 2006, and $330.6 million for 2005. The increase in 2007 is primarily due to an increase in net interest income. The following table presents the changes in the significant components of net income from the previous year.

(dollars in thousands)	**2007 Versus 2006**	2006 Versus 2005
Net income, prior year	**$ 348,512**	$ 330,608
Increase/(Decrease) from changes in:		
Net interest income	**71,802**	62,167
Provision for loan losses	**3,933**	(17,681)
Noninterest income	**8,916**	551
Noninterest expenses	**(8,685)**	(30,554)
Provision for income taxes	**(3,979)**	3,421
Total increase in net income	**71,987**	17,904
Net income, current year	**$ 420,499**	$ 348,512

As a result of strong earnings in 2007, return on average assets increased to 1.69% from 1.58% in 2006, and return on average shareholders' equity increased to 9.51% from 8.87% in 2006.

Net Interest Income

Net interest income for 2007 was $663.8 million compared with $592.0 million for 2006 and $529.9 million for 2005. The increase in net interest income was due to increased growth in average interest earnings assets in 2007, in addition to the increase in interest rates. Net interest income is our principal source of earnings and is impacted by interest earning asset volume, yields on assets and cost of debt. The effects of changes in average volumes and interest rates on net interest income for these periods are reflected in the following table.

(dollars in millions)	**2007 vs. 2006 Increase due to Rate**	**Volume**	**Total**	2006 vs. 2005 Increase due to Rate	Volume	Total
Interest income:						
Loans	**$ 20.4**	**$ 111.0**	**$131.4**	$ 176.8	$ 80.2	$ 257.0
Investments	**23.2**	**70.9**	**94.1**	44.8	49.9	94.7
Total interest income	**43.6**	**181.9**	**225.5**	221.6	130.1	351.7
Interest expense	**34.0**	**119.7**	**153.7**	200.2	89.3	289.5
Increase in net interest income	**$ 9.6**	**$ 62.2**	**$ 71.8**	$ 21.4	$ 40.8	$ 62.2

Components of net interest income for the past three years are presented in the following table. Interest income, interest expense, and interest rates include the effect of related derivative financial instruments used for hedging and/or risk management.

(dollars in millions)	**For the Year Ended December 31, 2007 Income/ Expense**	**Average Balance**	**Rate**	For the Year Ended December 31, 2006 Income/ Expense	Average Balance	Rate	For the Year Ended December 31, 2005 Income/ Expense	Average Balance	Rate
Interest earning assets:									
Loans by type									
Real estate mortgage	**$ 800.3**	**$ 10,934.6**	**7.32%**	$ 752.2	$ 10,395.4	7.24%	621.3	10,074.3	6.17%
Production and intermediate-term	**331.4**	**4,361.1**	**7.60**	287.4	3,853.0	7.46	209.3	3,427.4	6.11
Agribusiness	**179.2**	**2,489.4**	**7.20**	143.9	2,043.4	7.04	102.7	1,773.1	5.79
Communication	**7.0**	**98.1**	**7.16**	7.5	106.1	7.11	3.0	44.1	6.86
Energy	**9.5**	**132.6**	**7.17**	8.8	127.4	6.93	7.1	125.6	5.64
Water and waste disposal	**0.8**	**14.5**	**5.78**	-	-	-	-	-	-
Rural residential real estate	**3.8**	**50.9**	**7.36**	3.6	50.7	7.15	3.5	51.4	6.71
Lease receivables	**10.3**	**149.4**	**6.87**	9.2	128.4	7.18	4.9	80.8	6.05
OFI (other financing institutions)	**0.9**	**15.2**	**5.99**	1.4	25.1	5.69	1.7	42.3	4.00
Nonaccrual	**9.0**	**73.3**	**12.26**	6.8	86.2	7.85	10.3	91.5	11.30
Total loans	**1,352.2**	**18,319.1**	**7.38**	1,220.8	16,815.7	7.26	963.8	15,710.5	6.13
Investments	**333.1**	**5,880.7**	**5.67**	239.1	4,629.0	5.17	144.5	3,665.0	3.94
Total	**1,685.3**	**24,199.8**	**6.96**	1,459.9	21,444.7	6.81	1,108.3	19,375.5	5.72
Interest bearing liabilities	**1,021.5**	**20,041.7**	**5.10**	867.9	17,693.8	4.91	578.4	15,874.0	3.64
Net interest income	**$ 663.8**			$ 592.0			$ 529.9		
Interest rate spread			**1.86%**			1.90%			2.08%
Impact of equity financing		**$ 4,158.1**	**0.88%**		$ 3,750.9	0.86%		$ 3,501.5	0.65%
Net interest margin			**2.74%**			2.76%			2.73%

The 2007 interest rate spread between interest earning assets and interest bearing liabilities decreased 4 basis points to 1.86%, compared with 1.90% in 2006. The decrease in interest rate spread resulted from a 19 basis point increase in interest expense offset by a 15 basis point increase in interest income. Of the 4 basis point decline in spread, 5 basis points were due to the change in mix with more dollars proportionately held in investments rather than loans, offset by an increase of 1 basis point in spread on investments. Net interest margin (net interest income to average earning assets) decreased 2 basis points to 2.74% compared with 2.76% in 2006. The net interest margin decrease was minimized due to an increase in the impact of equity financing of 2 basis points as a result of rising interest rates. The competitive environment for loans has resulted in tightened loan spreads especially in real estate mortgage, our largest loan category, as market interest rates have increased. Competition for high quality loans continues to put pressure on Association spreads.

Loan Loss Reversal/Provision for Loan Losses

AgBank and Association managements review their respective loan portfolios on a regular basis to determine if any increase through provision for loan losses or decrease through a loan loss reversal to the allowance for loan losses is warranted based on each entity's assessment of the probable losses in its loan portfolio. In aggregate, we recorded net provisions for loan losses of $3.6 million for the year ended December 31, 2007, compared with net provision for loan losses of $7.5 million in 2006 and net loan loss reversals of $10.2 million in 2005. Twelve Associations recorded provisions for loan losses of $10.2 million during 2007 with thirteen Associations and AgBank recording loan loss reversals of $6.6 million. The provisions for loan losses recorded in 2007 were primarily due to specific reserves, larger loan portfolios and decreased credit quality of certain accounts offset by loan loss reversals recorded primarily due to updated statistical information which is used for determining probability of default in the allowance for loan loss calculations. The provisions for loan losses recorded in 2006 were primarily due to charge-offs and increased risk on certain loans in the loan portfolios. The loan loss reversals recorded in 2005 were primarily due to reduced risk exposure in certain loans.

Noninterest Income

Noninterest income for each of the three years ended December 31 is detailed in the following table:

(dollars in thousands)	**2007**	2006	2005	**Percent Increase/(Decrease) 2007/2006**	Percent Increase/(Decrease) 2006/2005
Loan and prepayment fee income	**$ 21,139**	$ 16,400	$ 16,811	**28.9%**	(2.4%)
Fees for financially related services	**7,362**	4,706	4,903	**56.4%**	(4.0%)
Mineral income	**10,316**	11,200	10,401	**(7.9%)**	7.7%
Net gains on sales of investments and other assets	**191**	1,052	1,164	**(81.9%)**	(9.6%)
Other noninterest income	**9,979**	6,713	6,241	**48.7%**	7.6%
Noninterest income	**$ 48,987**	$ 40,071	$ 39,520	**22.3%**	1.4%

For the year ended December 31, 2007, we recorded noninterest income of $49.0 million compared with $40.1 million in 2006 and $39.5 million in 2005. Loan and prepayment fee income increased $4.7 million primarily due to significant fee income related to capital market loans. Fees for financially related services increased $2.7 million primarily due to increased grain prices which increase both multi-peril crop insurance coverage and premiums, resulting in increased commissions. During 2007, other noninterest income increased $3.3 million primarily due to an increase in patronage received from another System Bank.

We own mineral rights in the states of Arizona, California, Colorado, Kansas, Nevada, New Mexico, Oklahoma and Utah. These mineral rights are held at an historic cost of nominal value. Mineral income is primarily generated from royalties on natural gas and crude oil production, leasing bonuses and rental payments. This income may vary from year to year based on fluctuations in energy demand, prices and production. In 2007, mineral income decreased $884 thousand as income received through litigation settlements on oil and gas leases decreased $775 thousand. Approximately 70% of our mineral income in 2007 was from natural gas.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is summarized below:

(dollars in thousands)	**2007**	2006	2005	**Percent Increase/(Decrease) 2007/2006**	Percent Increase/(Decrease) 2006/2005
Salaries & employee benefits	**$ 169,207**	$ 157,322	$ 145,647	**7.6%**	8.0%
Occupancy & equipment	**16,930**	15,920	15,221	**6.3%**	4.6%
Insurance fund premium	**27,176**	24,976	8,025	**8.8%**	211.2%
Supervisory expense	**8,088**	8,011	7,340	**1.0%**	9.1%
Other operating expense	**60,214**	61,390	57,844	**(1.9%)**	6.1%
Merger-implementation costs	**-**	-	1,248	**-**	(100.0%)
Operating expense	**$ 281,615**	$ 267,619	$ 235,325	**5.2%**	13.7%
Losses on other property owned	**966**	354	539	**172.9%**	(34.3%)
Intra-system financial assistance expense	**-**	-	3,378	**-**	(100.0%)
Loss on early extinguishment of debt	**1,425**	-	-	**100.0%**	-
Loss on discontinuance of cash flow hedges	**1,180**	8,528	6,705	**(86.2%)**	27.2%
Noninterest expense	**$ 285,186**	$ 276,501	$ 245,947	**3.1%**	12.4%

Noninterest expense for the year ended December 31, 2007, increased $8.7 million, or 3.1% to $285.2 million, compared with the same period in 2006. During 2007, salaries and employee benefits expense increased $11.9 million, or 7.6%, due to merit and incentive compensation necessary to attract and retain employees with market-based salaries. At December 31, 2007, our workforce decreased slightly to 1,500 employees from 1,524 employees at December 31, 2006. Insurance fund premiums paid to the Farm Credit System Insurance Corporation increased $2.2 million, compared with 2006, primarily due to asset growth. Premiums charged on accrual loan volume were 15 basis points for 2007 and 2006 and 5 basis points in 2005. Refer to Note 1C of the Notes to Financial Statements for further information on the Farm Credit System Insurance Corporation.

The merger-implementation costs in 2005 represent one-time costs of an Association merger. A significant portion of these merger-implementation expenditures were due to employee severance and special early retirement programs.

Intra-system financial assistance expense in 2005 was due to the final maturity of the last remaining Financial Assistance Corporation debt issue. During 2007, we recorded a $1.4 million loss on early extinguishment of $150 million of debt. In 2007, we also closed out two interest rate cap derivatives and recorded a loss of $1.2 million. These caps were three-month LIBOR caps originally purchased as hedges against rising interest rates on three-month discount notes. During 2006, we closed out eight interest rate cap derivatives and recorded a loss of $8.5 million. These caps were either three-month LIBOR caps or six-month LIBOR caps originally purchased as hedges against rising interest rates on debt. In both 2007 and 2006, these caps were replaced with interest rate caps indexed to 1-month LIBOR to better match the portfolio of liabilities being hedged. By discontinuing these caps the remaining unamortized premiums were immediately recognized as a loss. Premium amortization included in interest expense in future periods will be reduced by a similar amount. In 2005, we terminated five interest rate swaps that were cash flow hedges and recorded a $6.7 million loss. These were pay fixed swaps entered into at higher interest rates that were replaced when the hedged debt was replaced with lower cost debt.

Provision for/(Benefit from) Income Taxes

We recorded $3.6 million in provision for income taxes for the year ended December 31, 2007, compared with a $427 thousand benefit from income taxes in 2006 and a provision for income taxes of $3.0 million in 2005. The increase was primarily due to a reduction in the deferred tax assets relating to the change in the allowance for loan losses. Offsetting the increase, an Association recorded a reversal of a tax liability for IRS interest of $615 thousand related to prior year refunds. Tax expense was impacted by patronage refund programs in certain District Associations. Most of the District Associations operate as Subchapter T cooperatives for tax purposes and thus may deduct from taxable income certain amounts that are distributed from net earnings to borrowers. See Note 9 for additional details.

AGRICULTURAL OVERVIEW

Our financial condition can be directly impacted by factors affecting the agricultural, rural and general economies. These factors impact the ability of farmers and ranchers to repay loans to our Associations and consequently the ability of the Associations to repay their loans with us. Factors include but are not limited to the following:

- commodity prices;
- weather, disease, or other adverse climatic or biological conditions that impact the production of agricultural products;
- availability and cost of labor;
- changes in input costs, rent and other production expenses;
- water availability, cost and environmental standards;
- the relationship of demand relative to supply of agricultural commodities produced including access to domestic and export markets;
- the demand for agricultural commodities for alternative uses including ethanol and other biofuel production and the resulting increase in commodity prices and increased production costs for livestock, poultry and dairy producers;
- changes in the level of government expenditures on agricultural and conservation programs;
- major international events, changes in foreign economies, and trade barriers which affect the demand for agricultural products sold or the cost of production;
- access to technology and the successful implementation of production technologies; and,
- changes in the general economy that can affect interest rates and/or availability of off-farm employment for some farm households.

Overall, the agricultural economic conditions were favorable throughout 2007 despite the slowdown in the U.S. economy resulting from the sharp decline in the housing sector and disturbances in the financial market due to the difficulties with sub-prime mortgages. The agricultural economic conditions experienced in 2007 and the outlook for 2008, according to the United States Department of Agriculture's February 2008 Outlook for U.S. Agricultural Trade, is largely supported by continued strong demand for agricultural commodities, higher prices for certain commodities and a weak U.S. dollar. These factors contributed significantly to our financial success during 2007 by facilitating the growth in the loan portfolio and the resulting increase in net interest income.

U.S. Agricultural Outlook

The February 2008 United States Department of Agriculture (USDA) forecast estimates that 2008 farmers' net cash income (a measure of the cash income after payment of business expenses) will increase to $96.6 billion, up $9.0 billion from 2007 and up $28.6 billion from its 10-year average. Contributing to this sizeable increase in farmers' net cash income are increases in cash receipts for crops of $30.7 billion, an increase in direct government payments of $1.4 billion and an increase in farm-related income of $600 million, offset in part by an increase in cash expenses of $20.8 billion. Corn prices have risen substantially as a result of a combination of continued food and feed demand and expanding ethanol demand. In addition, the U.S. dollar has depreciated significantly against major foreign currencies in recent years, which results in greater demand for U.S. exports. Other crop prices, in general, have been positively impacted by additional existing acreage used to plant corn, decreasing the amount of existing acreage available for other crops. The following table, which is based on information published by the USDA, sets forth the commodity prices per bushel for certain crops and by hundredweight for beef cattle from December 31, 2004 to December 31, 2007:

Commodity	**2007**	2006	2005	2004
Corn	**$ 3.76**	$ 3.01	$ 1.92	$ 2.04
Soybeans	**$ 10.00**	$ 6.18	$ 5.77	$ 5.45
Wheat	**$ 7.74**	$ 4.52	$ 3.54	$ 3.39
Beef cattle	**$ 88.90**	$ 83.10	$ 93.30	$ 86.80

In early 2008, the cash prices for grains are considerably above the prices reported by USDA in 2007. These higher commodity prices will likely have both positive and negative impacts on us as a lender to the agricultural and rural sectors. Sharply higher commodity prices and increased prices and demand for farm supplies has resulted in increased demand for agribusiness loans. Higher commodity prices may positively impact grain farmers. However, these higher costs may negatively impact the profitability of livestock producers who use grain as feed, as well as those who use corn or other grains as ingredients in processing activities. The higher commodity prices are not expected to significantly affect overall credit quality in 2008. In addition to higher feed costs, most other production expenses, such as fertilizer, seed, energy and labor costs, are forecasted to rise in 2008. The longer range concern is that the cost of production levels have increased significantly for many agricultural operations. These costs will likely be less volatile in the future than commodity prices. As such, commodity prices could decline faster than operating costs.

According to the latest USDA forecast, farm business balance sheets have continued to strengthen in the last few years, as measured by debt relative to assets and equity levels. Farmers' equity (farm business assets less farm business debt) is expected to continue to rise in 2008 as the increase in farm asset values exceeds the increase in farm debt. One measure of the financial health of the agricultural sector used by the USDA is farmers' utilization of their capacity to repay debt (actual debt as a percentage of maximum debt that can be supported by farmers' current income). Higher capacity utilization rates indicate tighter cash flow positions and, consequently, higher exposure to financial risk. Since 1970, debt repayment capacity utilization has ranged from a low of 35.8% in 1973 to 104.1% in 1981, and has remained relatively stable since 1987, averaging about 50%. USDA predictions suggest a decrease in the use of debt repayment capacity from 57% in 2006 to 48% in 2007 and 43% in 2008. This reduction is significantly driven by current agriculture income levels. Farm business debt is forecasted to grow 4.6% in 2007 and 3.6% in 2008, following a rise of 7.3% in 2006. The recent increase in debt can be at least partially attributed to farmers' positive view of the sector's future. Farm real estate debt accounted for approximately 53% of all farm debt for 2007 and 2006.

District Agricultural Overview

Agriculture in the District is very diverse. The western portion of the District, particularly California, produces a vast number of agricultural products. The eastern portion of the District is more concentrated in small grains. Livestock production occurs throughout the District.

Agricultural conditions in the western part of the District were favorable during 2007. Planting and growing conditions provided for average to above average yields for most crops. Commodity prices continued to be favorable, and while higher operating costs impacted profit levels, most operations are expected to have a profitable year. Results for the grape and wine industry remained positive, with the exception of a few varieties, as consumption remains strong. Almond growers harvested the largest almond crop on record, with good prices and demand for product. Fruit growers in the San Joaquin Valley experienced mixed results; with some growers experiencing problems due to smaller fruit size and lower prices. Citrus growers also had to deal with a winter freeze in early 2007 which negatively impacted production and income, but in most cases, losses were partially offset by insurance proceeds. Availability of farm labor continued to be a challenge in some areas, and remains an ongoing concern. A few isolated areas were impacted by low water supplies during the year, but as of year-end the impact has been limited. Rainfall in early 2008 has improved the situation. A court ruling regarding protection of the Delta smelt, a small minnow-like fish identified as an endangered species, will reduce the flow of water from the Sacramento-San Joaquin Delta to many farming operations on the west side of the San Joaquin Valley and to residents of Southern California in 2008. This reduction will put additional pressures on remaining water supplies and underscores the need for a good rainfall and snow-pack during the winter season.

In general, the agricultural economy in the eastern part of the District remained favorable. The 2007 wheat crop was average. Some areas had near record production, while other areas didn't produce a crop. The fall harvest yields were average to above average in most areas and enabled producers to realize enhanced cash grain receipts with the upward movement in commodity prices. Crop insurance is very common and provided protection to those producers in areas with production problems. The winter wheat crop had limited growth going into winter due to a shortage of moisture throughout much of the area; however, 2008 moisture conditions have improved with many areas receiving beneficial rain and snow during the winter months. As the grain markets moved to all time highs, producers had an opportunity to sell grain on hand or contract 2008 crops at attractive prices. The steady increase in grain prices throughout the fall continues to be attributed to the biofuel industry and a shortage of grain inventory globally. Grain producers have been impacted by higher operating costs for rent, fuel, fertilizer and equipment.

Higher grain prices translate into higher feed costs for livestock producers. With generally flat fed cattle prices during the fourth quarter, the increasing feed costs resulted in limited profits and/or losses for fat cattle producers. Market prices for feeder cattle have remained relatively stable and continue to pressure future profitability in the fed cattle segment. Cow/calf operators continue to benefit from favorable prices with tighter cattle supplies. Hogs and poultry, while small segments in our portfolio, are also negatively impacted by higher grain prices. The dairy industry continues to experience strong milk prices and operate at profitable levels even with significantly increased feed costs.

Agricultural real estate values across the District continued to increase in 2007, depending on the type of land and local market conditions. Factors having significant influence on values include favorable income levels in agriculture, recreational interests, and lifestyle ownership, as well as tax-free exchange transactions available under the Internal Revenue Code.

LOAN PORTFOLIO

Total loan volume was $19.76 billion at December 31, 2007, an increase of $2.13 billion, or 12.1%, from December 31, 2006, and a $2.97 billion, or 17.7%, increase over December 31, 2005. Effective business development strategies, strong reputation and image, and strong demand have all contributed to loan growth. AgBank loans to District Associations have been eliminated in the combined financial statements. The types of loans outstanding at December 31 are reflected in the following table.

(dollars in millions)	**2007**		2006		2005	
Type of Loan	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Real estate mortgage	**$ 11,679.4**	**59.0%**	$ 10,586.8	60.0%	$ 10,503.8	62.5%
Production and intermediate-term	**4,794.2**	**24.3**	4,300.2	24.4	4,031.3	24.0
Agribusiness:						
Loans to cooperatives	**455.1**	**2.3**	353.3	2.0	314.2	1.9
Processing and marketing	**1,794.4**	**9.1**	1,368.4	7.7	1,009.2	6.0
Farm related business	**567.9**	**2.9**	539.2	3.1	529.7	3.2
Communication	**95.9**	**0.5**	123.1	0.7	84.1	0.5
Energy	**139.3**	**0.7**	133.7	0.8	120.0	0.7
Water and waste disposal	**15.0**	**0.1**	8.5	-	-	-
Rural residential real estate	**52.4**	**0.3**	51.0	0.3	51.5	0.3
Lease receivables	**136.7**	**0.7**	134.2	0.8	94.8	0.6
OFIs	**25.4**	**0.1**	27.3	0.2	42.6	0.3
Total	**$ 19,755.7**	**100.0%**	$ 17,625.7	100.0%	$ 16,781.2	100.0%

Real estate mortgage loan volume increased 10.3% to $11.68 billion, compared with $10.59 billion at year-end 2006. These long-term mortgage loans are primarily used to purchase, refinance or improve real estate. These loans have maturities ranging from 5 to 40 years. Real estate mortgage loans are also made to rural homeowners. An upward trend continues in the part-time or lifestyle type farming operations across the District which has impacted real estate mortgage loan growth. By law, a real estate mortgage loan must be secured by a first lien and may only be made in an amount up to 85% of the original appraised value of the property, or up to 97% of the appraised value, if the loan is guaranteed by certain state, federal, or other governmental agencies.

The production and intermediate-term loan volume increased 11.5% to $4.79 billion, compared with 2006 loan volume of $4.30 billion. Production loans are used to finance the ongoing operating needs of agricultural producers. Production loans generally match the borrower's normal production and marketing cycle, which is typically 12 months. Intermediate-term loans are typically used to finance depreciable capital assets of a farm or ranch. Intermediate-term loans are written for a specific term, 1 to 15 years, with most loans being less than 10 years.

Loan volume in AgBank's correspondent lending portfolio is included throughout the previous table. This portfolio increased 28.7% to $976.3 million, compared with $758.4 million at December 31, 2006. This volume is primarily comprised of participations purchased and other multi-lender transactions in large Agribusiness, Production and intermediate-term, Energy, and Communication loans with lead lenders who demonstrate high-quality servicing and credit administration practices. This portfolio increased even though there was continued competition for these types of loans in 2007. Competitors included national and international commercial banks, insurance companies, captive finance companies and, increasingly, non-traditional lenders, such as fixed-income mutual funds.

As a District, we were a significant net purchaser of loan volume from non-District institutions in 2007. Through transactions with non-District institutions, we have purchased loan volume of $891.0 million and sold loan volume of $152.3 million as of December 31, 2007. As of year-end 2006, we had purchased loan volume of $714.8 million and sold loan volume of $90.3 million. The trend for financing large agribusiness companies has been to utilize multi-lender transactions. AgBank provides funding to Associations for these various large and complex financing arrangements. In addition, AgBank purchases interests in loans from Associations, commercial banks and other Farm Credit institutions in loan transactions through its correspondent lending business line.

Approximately 49% of the loans in our portfolios are variable rate loans with fixed rate loans comprising approximately 45% and adjustable rate loans comprising 6%. The following table indicates the type of variable and fixed rate loans we have. Administered variable rate loans are not tied to an external index. Most of the adjustable rate loans are indexed to an external rate.

	2007	2006	2005
Variable rate loans			
Administered variable	**36%**	44%	50%
Variable indexed to Prime or LIBOR	**13%**	9%	6%
Fixed rate loans			
Fixed rate to maturity	**23%**	23%	21%
Fixed rate to conversion	**22%**	17%	15%
Adjustable rate loans	**6%**	7%	8%
Total	**100%**	100%	100%

Portfolio Diversification

We believe diversification is a sound risk mitigation strategy. The underlying collateral in our District portfolio is diversified by the variety of commodities financed and the large and diverse geographic area served. However, for a number of reasons, including the territory structure and cooperative nature of the System, some geographic and commodity concentrations will exist.

The following table shows the primary agricultural commodities produced by our borrowers based on the Standard Industrial Classification System published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. A primary business category is assigned when the commodity or industry accounts for 50% or more of the total value of sales for its products; however, a large percentage of agricultural operations typically include more than one commodity. There are over 400 commodities produced in our District. Our largest commodity concentration is in dairy loans, which are geographically dispersed across ten states. Our second largest commodity, cattle, has further industry segmentation including feedlots, cow/calf operations, and stocker cattle. In each of the other concentrations above 3.5%, there is further commodity diversification or industry segmentation within the primary Standard Industrial Code (SIC) category. Diversification is also achieved from loans to rural home owners and part-time farmers, which typically derive most of their earnings from non-agricultural sources, are less subject to agriculture cycles and would likely be more affected by weaknesses in the general economy. Loans to rural home borrowers are segregated in the following table as their own SIC category. Loans to part-time farmers are included throughout the commodities produced.

	December 31		
SIC Category	**2007**	2006	2005
Dairy farms	**15.84%**	17.00%	16.32%
Cattle	**15.71**	15.42	15.93
Grapes	**6.69**	6.94	7.51
Tree nuts	**6.54**	6.42	6.14
Food products	**5.66**	4.97	4.06
Field crops	**5.54**	5.53	5.80
Fruits	**4.36**	4.41	4.77
Farm related business services	**3.90**	3.58	3.12
Vegetables	**3.78**	3.73	4.18
Other livestock	**3.52**	3.73	3.99
Wheat	**3.01**	3.48	3.83
Corn	**2.82**	3.20	3.41
Rural homes	**2.16**	1.80	1.88
Horticulture specialties	**2.09**	2.19	2.43
Logging and wood products	**2.07**	1.77	0.78
Cash grains	**1.75**	1.51	1.45
General farm	**1.65**	1.81	1.84
Forestry	**1.63**	1.09	0.98
Cotton	**1.38**	1.74	1.86
Rural utilities	**1.29**	1.60	1.36
Sugarcane, sugar beets and Irish potatoes	**1.25**	0.94	0.95
Farm supplies	**1.17**	0.90	0.70
Rice	**1.15**	1.30	1.39
Citrus fruits	**1.09**	1.13	1.32
Soybeans	**0.54**	0.60	0.60
Other	**3.41**	3.21	3.40
Total	**100.00%**	100.00%	100.00%

As of December 31, 2007, 29 Associations serve our chartered territory, which includes the states of Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Oklahoma, Utah, southeastern Idaho, and the far western edge of Wyoming. The following table illustrates the geographic distribution of the loan volume in our aggregate portfolio.

	Number of Associations	December 31		
		2007	2006	2005
California	**8**	**48.9%**	46.8%	49.2%
Kansas	**6**	**12.6**	13.1	12.9
Colorado	**3**	**8.3**	8.6	8.3
Oklahoma	**7**	**5.9**	5.7	6.0
New Mexico	**1**	**4.6**	4.7	4.5
Arizona	**1**	**3.5**	4.1	3.8
Utah	**1**	**1.8**	1.9	2.0
Idaho	**1**	**1.4**	1.3	1.3
Nevada	**-**	**0.9**	0.8	0.9
Hawaii	**1**	**0.4**	0.5	0.4
Wyoming	**-**	**0.3**	0.2	0.2
Non-District participations	**-**	**11.4**	12.3	10.5
Total	**29**	**100.0%**	100.0%	100.0%

Only the states of California and Kansas have volume representing more than 10% of our total portfolio with California representing 48.9% of the total District loan volume. The significant geographic and commodity diversification of California agriculture, along with relatively high levels of non-farm income of retail borrowers, helps mitigate this concentration. California agriculture ranks first in the nation in agricultural production, with over $30 billion in cash receipts from 76,000 farms and ranches and more than 400 different commodities raised. California produces more than half of the U.S. total fruit, nuts and vegetable crops and total agricultural cash receipts in California represent 13% of the U.S. total. California's unmatched commodity diversification, from a number of different geographic locations throughout the state, provides an attractive agricultural lending environment.

Loans originated for less than $250 thousand make up 19.0% of loan volume and 81.2% of the number of loans. Loans that were originated for more than $5 million are 17.8% of the portfolio and 0.5% of the number of loans. The table below details the loan principal by loan size category.

	December 31, 2007		December 31, 2006		December 31, 2005	
(Range in thousands)	**Amount outstanding ($ in millions)**	**Number of loans**	Amount outstanding ($ in millions)	Number of loans	Amount outstanding ($ in millions)	Number of loans
$1 - $250	**$ 3,743.9**	**58,467**	$ 3,673.4	58,258	$ 3,673.8	57,418
$251 - $500	**2,218.9**	**5,986**	2,080.3	5,935	2,127.7	6,297
$501 - $1,000	**2,789.2**	**3,723**	2,471.3	3,521	2,552.7	3,788
$1,001 - $5,000	**7,479.8**	**3,409**	6,364.8	3,216	6,280.9	3,343
$5,001 - $25,000	**3,250.5**	**376**	2,736.2	347	2,046.0	287
$25,001 - $100,000	**273.4**	**7**	299.7	19	100.1	3
Total	**$ 19,755.7**	**71,968**	$ 17,625.7	71,296	$ 16,781.2	71,136

Credit Commitments

AgBank and Associations may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of their borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our combined financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2007, $7.13 billion of commitments to extend credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the combined statement of condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

AgBank and Associations may also participate in standby letters of credit to satisfy the financing needs of their borrowers. These standby letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2007, the District had $162.3 million of standby letters of credit.

High Risk Assets

Nonperforming loan volume is comprised of nonaccrual, restructured, and loans 90 days past due still accruing interest and are referred to as impaired loans. High risk assets consist of impaired loans and other property owned. Comparative information regarding high risk assets in the portfolio, including accrued interest, follows:

	December 31		
(dollars in thousands)	**2007**	2006	2005
Nonaccrual loans			
Real estate mortgage	**$ 36,693**	$ 48,039	$ 48,088
Production and intermediate-term	**38,319**	31,141	13,622
Agribusiness	**2,364**	3,962	14,249
Rural residential real estate	**54**	108	123
Lease receivables	**52**	189	-
Total nonaccrual loans	**77,482**	83,439	76,082
Accruing restructured loans			
Real estate mortgage	**3,594**	4,316	6,353
Production and intermediate-term	**584**	-	6
Rural residential real estate	**18**	21	24
Total accruing restructured loans	**4,196**	4,337	6,383
Accruing loans 90 days past due			
Real estate mortgage	**1,072**	536	133
Production and intermediate-term	**2,566**	688	489
Agribusiness	**83**	-	-
Total accruing loans 90 days past due	**3,721**	1,224	622
Total impaired loans	**85,399**	89,000	83,087
Other property owned	**3,974**	6,793	2,331
Total high risk assets	**$ 89,373**	$ 95,793	$ 85,418
Nonaccrual loans to total loans	**0.39%**	0.47%	0.45%
Impaired loans to total loans	**0.43%**	0.50%	0.50%
High risk assets to total loans	**0.45%**	0.54%	0.51%
High risk assets to total shareholders' equity	**2.01%**	2.41%	2.29%

Total high risk assets decreased $6.4 million to $89.4 million compared with year-end 2006. Nonaccrual volume decreased $6.0 million to $77.5 million at December 31, 2007 primarily due to loan payoffs and paydowns. Nonaccrual loans current with respect to principal and interest represented 39.3% of total nonaccrual volume at December 31, 2007, compared with 41.3% at year-end 2006 and 54.9% at year-end 2005. Although current, these loans did not meet all requirements for reinstatement to accrual status. Most of these loans are secured by real estate. Other property owned decreased to $4.0 million, compared with $6.8 million at year-end 2006. The decrease in other property owned was due to the sale of property and the write-down in value of a property that was a participation purchased by two District Associations. Overall, high risk asset ratios decreased slightly and remain very low relative to the size of our loan portfolio.

Allowance for Loan Losses

We maintain an allowance for loan losses at a level consistent with the probable losses identified by management of each institution. The allowance for loan losses at each period end was considered to be adequate to absorb probable losses existing in the loan portfolio. Because the allowance for loan losses considers factors such as current agricultural and economic conditions, loss experience, portfolio quality and loan portfolio composition, there will be a direct impact to the allowance for loan losses and our income statement when there is a change in any of those factors. The following table provides relevant information regarding the allowance for loan losses.

(dollars in thousands)	December 31 2007	2006	2005
Balance at beginning of year	**$ 64,637**	$ 65,309	$ 81,018
Charge-offs:			
Real estate mortgage	**101**	510	30
Production and intermediate-term	**1,915**	8,210	3,013
Agribusiness	**1,071**	1,693	4,066
Communication	**21**	-	-
Rural residential real estate	**-**	-	1
Lease receivables	**-**	-	6
Total charge-offs	**$ 3,108**	$ 10,413	$ 7,116
Recoveries:			
Real estate mortgage	**33**	88	123
Production and intermediate-term	**535**	694	1,056
Agribusiness	**484**	1,424	16
Communication	**-**	-	36
Energy	**-**	-	341
Rural residential real estate	**-**	19	-
Total recoveries	**$ 1,052**	$ 2,225	$ 1,572
Net charge-offs	**$ 2,056**	$ 8,188	$ 5,544
Provision for loan losses/(Loan loss reversal)	**3,583**	7,516	(10,165)
Balance at December 31	**$ 66,164**	$ 64,637	$ 65,309
Net charge-offs to average net loans	**0.01%**	0.05%	0.04%

The following table presents the allowance for loan losses by loan type as of December 31.

(dollars in thousands)	2007	2006	2005
Real estate mortgage	**$ 18,396**	$ 21,552	$ 22,854
Production and intermediate-term	**33,858**	30,521	29,868
Agribusiness	**12,330**	9,937	10,623
Communication	**192**	804	150
Energy	**229**	325	523
Water and waste disposal	**3**	2	-
Rural residential real estate	**80**	119	87
Lease receivables	**1,076**	1,377	1,204
Total	**$ 66,164**	$ 64,637	$ 65,309

The allowance for loan losses increased $1.5 million from December 31, 2006, to $66.2 million at December 31, 2007. The primary factors impacting the increase in allowance for loan losses was the provision for loan losses of $3.6 million offset by net charge-offs of $2.1 million. Charge-offs recorded during 2007 were related to specific loans primarily for litigation payments. Charge-offs recorded during 2006 resulted primarily from two District Associations recording $7.1 million in charge-offs on Production and intermediate-term participations purchased. Overall charge-off activity remains low relative to the size of our loan portfolio. Comparative allowance for loan losses coverage as a percentage of loans and certain other credit quality indicators is presented in the following table.

	December 31 2007	2006	2005
Allowance as a percentage of:			
Gross loans	**0.33%**	0.37%	0.39%
Total impaired loans	**77.48%**	72.64%	78.60%
Nonaccrual loans	**85.39%**	77.47%	85.84%

The allowance for loan losses as a percent of gross loans declined to 0.33% at December 31, 2007, from 0.37% at 2006. The lower allowance coverage ratio was primarily due to an increase in gross loans. The allowance as a percentage of total impaired loans and of nonaccrual loans increased since December 31, 2006, due to the increase in the allowance for loan losses and the decrease in the nonaccrual loans and impaired loans. See Note 3 to the accompanying combined financial statements for detailed information regarding the allowance for loan losses.

Credit Risk Management

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolios and also in our unfunded loan commitments and standby letters of credit. Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies and procedures.

Underwriting standards are utilized by each institution to determine an applicant's operational, financial, and managerial resources available for repaying debt within the term of the note and loan agreement. Underwriting standards include, among other things, an evaluation of:

- character - borrower integrity and credit history;
- capacity - repayment capacity of the borrower based on cash flows from operations or other sources of income;
- collateral - to protect the lender in the event of default and also serve as a secondary source of loan repayment;
- capital - ability of the operation to survive unanticipated risks; and,
- conditions - including use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, institutions cannot have loan commitments to one borrower for more than 25.0% of the institution's permanent capital. Through lending delegations AgBank further restricts individual loan size limits to 15.0% of an Association's permanent capital. Within these parameters, each Association in the District sets its own lending limits to manage loan concentration risk. Lending limits can be established for individual loan size, commodity type, special lending programs and geographic concentrations. Several Associations have further limited their exposure by adopting an individual loan size limit less than 15.0% of permanent capital. The District has also implemented a voluntary hold limit for large loan exposures on a District-wide basis. The hold limit for the lowest risk exposure is $350 million and is reduced as risk increases. There are no exposures that exceed the established limits.

Internal lending delegations are established within AgBank and each Association to properly control the loan approval process. Delegations to staff are based on each institution's risk-bearing ability, loan size, complexity, type and risk, as well as the expertise and position of the credit staff member. Larger and more complex or risky loans are typically approved by loan committees with the most experienced and knowledgeable credit staff serving as members.

AgBank and most Associations have participation programs with other System and non-System institutions. For each institution, buying and selling loan volume, within and outside the System, can help reduce its concentrations and manage growth and capital position. Concentrations and credit risk are also managed through the utilization of government guarantee programs. Volume in the government guarantee programs was $205.1 million at December 31, 2007 and $196.7 million at December 31, 2006.

In addition, the District holds $1.16 billion in Federal Agricultural Mortgage Corporation (Farmer Mac) securities, which are guaranteed by Farmer Mac and backed by agricultural mortgage loans. The credit risk of some long-term real estate loans has been reduced by entering into agreements that provide long-term standby commitments by Farmer Mac to purchase the loans in the event of default. The amount of loans subject to these Farmer Mac guarantees was $465.8 million at December 31, 2007 and $672.9 million at December 31, 2006. Included in other operating expenses were fees paid for Farmer Mac guarantees totaling $2.2 million in 2007 and $4.1 million in 2006. Under the Farmer Mac long-term standby commitment to purchase agreements, we continue to hold the loans in our portfolios, and we pay guarantee fees to Farmer Mac for the right to put a loan designated in these agreements to Farmer Mac at par in the event that the loan becomes significantly delinquent (typically four months past due). If the borrower cures the default, we must repurchase the loan and the guarantee remains in place. Farmer Mac long-term standby commitments to purchase agreements are further described in Note 3. Other than the contractual obligations arising from these business transactions between Farmer Mac and entities in the District, Farmer Mac is not liable for any debt or obligation of ours and we are not liable for any debt or obligation of Farmer Mac. For more information on Farmer Mac, refer to their website at www.farmermac.com.

Each institution in the District has internal control programs that evaluate the accuracy of credit quality reporting and effectiveness of credit administration. Furthermore, AgBank has loan covenant provisions in the General Financing Agreement that require Associations to maintain accurate credit quality reporting and satisfactory credit administration management. All Associations were in compliance with these covenants as of December 31, 2007.

Approximately 59% of our loans are first mortgage real estate loans which must be secured by first liens on real estate. Production and intermediate-term lending accounts for most of the remaining loan volume and is also typically secured. Collateral evaluations are completed in compliance with Farm Credit Administration (FCA) and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. All appraisals and collateral evaluations are performed by qualified appraisers. Certain appraisals must be performed by individuals with a state certification or license.

District institutions use a Combined System Risk Model (Model) which is a two-dimensional risk rating system that estimates each loan's probability of default and loss given default. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. The Model is utilized in loan and portfolio management processes. It is also used in the allowance for loan losses estimates, as it contains much more portfolio granularity, particularly related to acceptable loan classification under the Uniform Loan Classification System (UCS). The Model's 14-point scale provides for nine acceptable categories, one other assets especially mentioned (OAEM) category, two substandard categories, one doubtful category and one loss category. In addition, this Model serves as the basis for economic capital modeling.

We also continue to classify our loans based on the UCS. These classifications are as follows:

Classification	Description
Acceptable	Assets are expected to be fully collectible and represent the highest quality.
Other Assets Especially Mentioned (OAEM or Special Mention)	Assets are currently collectible but exhibit some potential weakness.
Substandard	Assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
Doubtful	Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts that make collection in full highly questionable.
Loss	Assets are not considered collectible.

The following table presents statistics related to the credit quality of the loan portfolio, including accrued interest.

	December 31					
(dollars in millions)	**2007**		2006		2005	
Acceptable	**$ 19,318.0**	**96.36%**	$ 17,160.6	95.84%	$ 16,259.6	95.62%
OAEM	**391.0**	**1.95**	395.2	2.21	405.4	2.38
Total acceptable	**$ 19,709.0**	**98.31%**	$ 17,555.8	98.05%	$ 16,665.0	98.00%
Substandard	**330.4**	**1.65**	350.5	1.95	339.5	2.00
Doubtful	**8.2**	**0.04**	0.3	-	0.3	-
Total	**$ 20,047.6**	**100.00%**	$ 17,906.6	100.00%	$ 17,004.8	100.00%

Acceptable and OAEM loan volume increased to 98.31% at December 31, 2007 compared with 98.05% at December 31, 2006. There were no loans classified as Loss at the end of any of the three years presented. The financial position of most agricultural producers has continued to strengthen during the past decade. With borrowers' strengthened financial positions, credit quality remains very strong. Net cash income in agriculture was very favorable during the period and rural real estate values have continued to increase in most areas of the District. However, agriculture remains a cyclical business that is heavily influenced by production, operating costs and commodity prices. While credit quality is anticipated to remain sound in 2008, we expect that less favorable agricultural economic conditions and less government support programs will lead to weakening in the loan portfolios at some point in the future.

LIQUIDITY

Liquidity is necessary to meet the District's financial obligations. For AgBank and the Associations, liquidity is needed to pay Systemwide Debt Securities as they mature, fund loans and other commitments and for business operations. The primary source of liquidity is AgBank's ability to issue Federal Farm Credit Banks Consolidated Systemwide bonds and discount notes. The System is a government-sponsored enterprise (GSE) and has access to domestic and global capital markets. This access has provided us with a dependable source of competitively priced debt that is critical for supporting our mission of providing funding to agriculture and rural America. We rely on System funding as we do not have access to funding through deposits. Moody's Investors Service and Standard and Poor's rate the System's long-term debt as Aaa and AAA, respectively, and short-term debt as P-1 and A-1, respectively. These rating agencies base their ratings on many quantitative and qualitative factors, including the System's government-sponsored enterprise status. Material changes to the factors could result in a different debt rating. Based on the System's current standing in the capital markets, we anticipate continued access to favorable funding. The U.S. government does not guarantee, directly or indirectly, Systemwide Debt Securities.

FCA regulations require that cash (including the proceeds of debt newly issued but not settled) and eligible investments be maintained in amounts sufficient to meet 90 days of maturing debt obligations on a continuous basis assuming no access to the capital markets. The number of days of liquidity is calculated by comparing maturing debt obligations with the total amount of cash and eligible investments maintained.

As of December 31, 2007, AgBank held liquid assets comprised of cash and eligible marketable investments to be able to fund 148 days of debt maturities. On average during 2007, AgBank held liquid assets to be able to cover funding for an estimated 183 days. AgBank also has contingency plans in place in the event that ready access to traditional debt markets is not available. These plans identify other possible avenues for funding or liquidity generation such as borrowing overnight via federal funds, selling investments, or pledging investments, including Farmer Mac securities, as collateral for securitized borrowings.

Information regarding cumulative debt maturities of bonds and notes with maturities within one year as of December 31 is outlined below:

	Cumulative Volume *(in millions)*		
Debt maturing in:	**2007**	2006	2005
1 day	**$ 376.5**	$ 276.1	$ 275.2
7 days	**$ 786.6**	$ 581.1	$ 700.2
90 days	**$ 4,254.2**	$ 2,931.4	$ 2,630.6
180 days	**$ 5,552.0**	$ 3,882.0	$ 3,648.6
365 days	**$ 7,847.6**	$ 6,030.5	$ 5,572.3

Funding Sources

As previously discussed, AgBank raises funds in the capital markets. All System debt is the joint and several obligation of all System Banks. The debt shown represents AgBank's portion of Systemwide bonds and notes. AgBank is primarily responsible for this debt. This debt is senior to the claims of general creditors by FCA regulation and does not carry any covenants, events of default, trustee or indenture and is not subject to acceleration in the event of default. In 2007, AgBank issued a total of $74.35 billion in new and replacement debt to support its business activities. The debt issuances occurred through the Systemwide funding programs. This included designated and term bonds for longer maturity financing, and discount notes or floating rate obligations, for shorter maturity or floating rate financing.

AgBank had the following Systemwide Debt Securities outstanding as of December 31.

	2007			2006			2005		
(dollars in thousands)	**Amount**	**Average Interest Rate**	**Average Maturity**	Amount	Average Interest Rate	Average Maturity	Amount	Average Interest Rate	Average Maturity
Bonds	**$ 17,518,547**	**4.88%**	**3.75 years**	$15,795,488	5.03%	3.44 years	$ 14,885,725	4.31%	3.05 years
Discount notes	**3,240,389**	**4.16**	**32 days**	2,019,253	5.23	21 days	1,542,784	4.12%	14 days
Medium-term notes	**344,794**	**5.61**	**1.42 years**	366,356	5.50	2.33 years	458,746	5.43%	2.75 years
Total	**$ 21,103,730**	**4.78%**	**3.15 years**	$18,181,097	5.06%	3.05 years	$ 16,887,255	4.32%	2.77 years

AgBank's Systemwide debt obligations were $21.10 billion at December 31, 2007, up $2.92 billion from $18.18 billion at December 31, 2006. The increase in debt obligations reflects the funding for the increase in our assets during 2007. Funding is actively managed and new loans and investments are funded at approximately the same time the assets are priced. The funding mix is comprised of various amounts of floating rate or fixed rate debt, which may be callable, and is distributed across the maturity spectrum depending on the terms and the optionality of the assets being funded.

AgBank has various credit arrangements with other financial institutions for liquidity purposes, although at December 31, 2007, none are formally committed facilities. See Note 7 in the accompanying combined financial statements for additional details related to our bonds and notes.

Investments

As a means of mitigating the risk of short-term disruptions in our ability to obtain funding for business operations, AgBank maintains an investment portfolio. Liquidity is an essential characteristic for the investments held in this portfolio. A secondary objective of our investment portfolio is to generate earnings. Additionally, we are authorized to hold mission-related investments and other investments to support rural America. As a general rule, our liquidity investments are classified as available-for-sale, but typically we hold all investments to maturity. We do not actively trade this portfolio. See Note 4 for additional details related to our investment securities.

Eligible Investments

Under FCA regulations, AgBank is authorized to hold eligible investments for purposes of maintaining a diverse source of liquidity, managing short-term surplus funds, and managing interest rate risk. The eligible investment portfolio, which excludes Farmer Mac securities and mission-related investments, is our liquidity portfolio and is subject to a regulatory limit of 35% of average loans. As of December 31, 2007, AgBank's investments held for liquidity purposes were 32.7% of average outstanding loans for the previous quarter. We may be required by FCA to divest of any investment within six months should it become ineligible under the regulations. As of year-end, AgBank did not hold any investments that required divestiture.

AgBank's liquid assets are comprised of cash, federal funds, and eligible investment securities. Liquid assets increased $1.19 billion during 2007 to $5.16 billion. This increase in investments enhanced our liquidity position. Liquid assets were 22.8% of AgBank's total assets at December 31, 2007 and 20.3% at December 31, 2006.

In accordance with FCA regulations and AgBank's board approved Investment policy, we purchase only high credit quality investments to ensure the portfolio is readily marketable. Short-term securities (including federal funds), along with corporate securities, must be rated in either the top rating category or in the top two highest rated categories by a nationally recognized credit rating service for these securities. All mortgage-backed securities (MBS) and asset-backed securities (ABS) must be in the highest rated category.

All of our investment securities held for liquidity are classified available-for-sale and are reported at their estimated fair value on the Combined Statement of Condition. As of December 31, the composition of the District's federal funds and investment portfolio held for liquidity was as follows:

	2007		2006		2005	
(dollars in thousands)	**Carrying Value**	**Percent of Total**	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Available-for-sale:						
Federal funds	**$ 113,363**	**2.2%**	$ 102,833	2.6%	$ 138,321	3.8%
Mortgage-backed securities (MBS)						
Government guaranteed	**1,612,827**	**31.6**	767,284	19.5	718,229	19.7
Agency guaranteed	**2,378,092**	**46.7**	1,880,277	47.8	1,627,812	44.6
Non-agency	**637,519**	**12.5**	576,414	14.7	509,222	14.0
Total MBS	**$ 4,628,438**	**90.8%**	$ 3,223,975	82.0	$ 2,855,263	78.3
Asset-backed securities (ABS)						
Home equity	**$ 225,903**	**4.4%**	$ 605,131	15.4%	$ 652,145	17.9%
Credit cards	**129,145**	**2.6**	-	-	-	-
Total ABS	**$ 355,048**	**7.0%**	$ 605,131	15.4%	$ 652,145	17.9%
Total investment securities held for liquidity	**$ 5,096,849**	**100.0%**	$ 3,931,939	100.0%	$ 3,645,729	100.0%

In light of the recent economic conditions and volatility surrounding home equity securities, we are closely monitoring these types of securities in our portfolio. At December 31, 2007, AgBank held first lien securities collateralized by home equity mortgages with a market value of $225.9 million and an unrealized loss of $20.7 million compared with $605.1 million held at December 31, 2006 with an unrealized gain of $0.4 million. As of December 31, 2007, two securities totaling $2.2 million were on negative credit watch by the credit rating agencies. AgBank's investments are purchased as AAA rated tranches that will receive early cash flows, have short weighted average remaining lives and include various forms of credit enhancements. The home equity asset-backed securities had an estimated remaining weighted average life of 234 days. Credit enhancements include overcollateralization, priority of payments and insurance guarantees from bond insurers. Four securities with a value of $3.6 million at December 31, 2007 have insurance guarantees.

In the past few months, the bond insurers have been facing greater challenges and uncertainties surrounding the asset-backed securities market and the potential for large significant losses. As a result, in January and February 2008 rating agencies downgraded or placed the large insurers on negative watch, which resulted in the securities with the guarantees also being downgraded or placed on negative watch. As of February 28, 2008, three of the four securities having insurance guarantees are on negative credit watch by at least one rating agency, along with two other home equity securities that had a year-end value of $59.1 million. These securities remain AAA rated by one or more rating agencies. The remaining security with an insurance guarantee has been downgraded to A by S&P and to A3 by Moody's as of February 28. Although the security is considered investment grade, it is not eligible under FCA requirements and may not be included in liquidity. The fair value of the security was less than $600 thousand. The security continues to perform and at this time, we do not expect there to be any impairment.

In addition, as of December 31, 2007, AgBank held three credit card securities with a market value of $129.1 million and an unrealized loss of $0.9 million. All three securities are rated AAA and none are on negative credit watch. These securities are considered to be of high quality and are performing as expected with low delinquencies and high levels of excess spread.

At this time we do not believe the asset-backed securities portfolio poses a significant risk of loss given the credit enhancements and relatively short weighted average lives.

Mission-related Investments and Other Investments

The Farm Credit Act states that the System is "to provide for an adequate and flexible flow of money into rural areas." Congress also recognized the "growing need for credit in rural areas" and declared that the System be designed to accomplish the objective of improving the income and well being of America's farmers and ranchers. To further the System's mission to serve rural America, the System has initiated mission-related programs and other mission-related investments approved by the FCA. These investments are not included in our liquidity calculations and are not covered by the eligible investment limitation discussed above. The FCA determines limitations on mission-related investments. As of December 31, the composition of our mission-related and other investments portfolio was as follows:

	2007		2006		2005	
(dollars in thousands)	**Carrying Value**	**Percent of Total**	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Available-for-sale:						
Farmer Mac securities	**$ 644,893**	**55.2%**	$ 771,268	71.1%	$ 299,660	59.0%
Held-to-maturity:						
Farmer Mac securities	**515,504**	**44.1**	313,474	28.9	207,938	41.0
Mission related investments	**8,433**	**0.7**	-	-	-	-
Total held-to-maturity	**$ 523,937**	**44.8**	$ 313,474	28.9	$ 207,938	41.0
Total mission-related and other investments	**$ 1,168,830**	**100.0%**	$ 1,084,742	100.0%	$ 507,598	100.0%

Under Board approved policies, we may hold Farmer Mac securities which are pools of agricultural loans that have been securitized and guaranteed by Farmer Mac. At year-end, we held $1.16 billion of Farmer Mac securities, compared with $1.08 billion at year-end 2006. (See the Credit Risk Management section for more discussion about Farmer Mac.) All of these Farmer Mac securities are backed by loans originated by Associations and previously held by the Associations under Farmer Mac standby purchase commitments. The Farmer Mac securities are not included in the liquidity calculations as they do not have the same liquidity characteristics as other investments.

Unrealized Investment Losses

Total investments classified as "available-for-sale" included net unrealized losses of $60.6 million at year-end 2007, $26.2 million at year-end 2006 and $32.9 million at year-end 2005. Investment securities which were in an unrealized loss position at December 31, 2007, consisted of MBS and ABS with losses of $80.6 million. The length of time that these securities have been valued below acquisition price ranges from two months to over twelve months with unrealized losses ranging from less than $1 thousand to over $6.2 million. The total unrealized loss for these investments is 1.3% of the fair value of total investment securities. The unrealized loss position at December 31, 2007 is a result of changes in interest rates as well as lack of liquidity in the marketplace and was not due to credit deterioration. We have the ability and intent to hold these investments for a period of time sufficient to collect all amounts due according to the contractual terms of the investments, and thus the losses are not considered to be other-than-temporarily impaired at December 31, 2007.

Capital Resources

Capital supports asset growth and provides protection for unexpected credit and operating losses. We believe a sound capital position is critical to our long-term financial success due to the volatility and cycles in agriculture. Over the past several years, we have been able to build capital primarily through retained net income after patronage. Shareholders' equity at December 31, 2007 totaled $4.44 billion, compared with $3.98 billion at year-end 2006 and $3.73 billion at year-end 2005. The $462.7 million increase in shareholders' equity reflects net income, net stock and participation certificate issuances, and preferred stock issuances partially offset by patronage refunds, dividends paid, increases in accumulated other comprehensive losses, and direct costs related to the issuance of AgBank preferred stock. Our strong capital position is reflected in the following ratio comparisons.

	December 31		
	2007	2006	2005
Shareholders' equity as a percent of total assets	**16.63%**	17.12%	17.40%
Retained earnings as a percent of capital	**92.22%**	95.88%	95.76%

Shareholders' equity as a percent of total assets decreased during 2007, as assets grew proportionately faster than equity.

Retained Earnings

Our retained earnings increased $280.9 million to $4.10 billion at December 31, 2007 from $3.82 billion at December 31, 2006. The increase was a result of net income of $420.5 million, partially offset by $113.9 million of patronage refunds and $21.5 million of preferred stock cash dividends.

Stock and Participation Certificates

Stock and participation certificates decreased $17.7 million to $47.6 million at December 31, 2007, from $65.3 million at December 31, 2006. The decrease was due to $30.7 million of stock and participation certificate retirements, partially offset by issuances of $13.0 million. Certain Associations require stock for each borrower loan, while other Associations require stock for each borrower. The initial investment requirement varies by Association and ranges from the statutory minimum of two percent of the loan amount or one thousand dollars, whichever is less, to three percent of the loan. Stock is discussed further in Note 8 of the Notes to the Combined Financial Statements.

Preferred Stock

Three Associations and AgBank have FCA approved preferred stock programs. Preferred stock totaled $425.1 million at December 31, 2007, compared with $153.1 million at December 31, 2006. The increase is due to an AgBank issuance of $225.0 million and Association net stock issuances of $46.6 million.

On March 20, 2007, AgBank issued $225.0 million of perpetual non-cumulative fixed-to-floating preferred stock at a par value of $1 thousand per share. Dividends are non-cumulative and will be paid as follows:

- semi-annually on the 10th day of January and July beginning July 10, 2007 and ending on July 10, 2012, at an annual rate of 6.11% during the fixed period; and
- quarterly on the 10th day of January, April, July and October beginning October 10, 2012 at an annual rate equal to 3-Month USD LIBOR plus 1.18%.

On the payment date in July 2012 or on each fifth anniversary thereafter, AgBank may, at its option, redeem the preferred stock in whole or in part at the redemption price of $1 thousand per share, plus accrued and unpaid dividends for the then current dividend period to the redemption date. Upon the occurrence of a regulatory event, which would eliminate AgBank's ability to use the preferred stock to satisfy applicable minimum capital adequacy, surplus or collateral requirements, AgBank may redeem the preferred stock in whole, but not in part. The funds were used for general corporate purposes and to reduce the Associations' required investment in AgBank by 1.25%.

Accumulated Other Comprehensive Income and Losses

Accumulated other comprehensive losses totaled $127.5 million at December 31, 2007, an increase of $72.3 million compared with year-end 2006. Our accumulated other comprehensive losses are comprised of unrealized losses in our investment portfolio and derivative portfolio, and an unfunded defined benefit pension liability with unamortized actuarial losses and prior service costs.

As our investment portfolio is held primarily for liquidity purposes, the majority of the portfolio is considered available-for-sale, and is carried at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity. Our unrealized loss on investments increased $34.3 million to $60.9 million at December 31, 2007. Approximately 40% of the available-for-sale investments are fixed rate securities. As rates and market conditions have changed from the time of purchase, the market value of these investments has declined.

Our derivative portfolio includes certain derivatives designated as cash flow hedges. Unrealized gains or losses on the effective portion of cash flow hedges are reported as a separate component of shareholders' equity. Our unrealized loss on derivatives decreased $1.7 million to $12.8 million at December 31, 2007. The decrease was largely due to the recognition through the income statement of $1.2 million of the loss associated with the discontinuance of two cash flow hedges.

Certain District employees participate in the Eleventh Retirement Plan or the Ninth Retirement Plan. On December 31, 2007, we adopted SFAS No. 158 - Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 158) which requires recognition of the Plans' underfunded status and unamortized actuarial gains and losses and prior service costs or credits as a liability with an offsetting adjustment to accumulated other comprehensive income/(loss). The balance of the underfunded defined pension liability was $53.9 million at December 31, 2007. Prior to the implementation of SFAS No. 158, the Eleventh Retirement Plan's unfunded portion of pension obligations was recognized as a liability and also recorded as a charge to accumulated other comprehensive losses. The unfunded portion of the Eleventh Retirement Plan net of tax was $14.3 million at December 31, 2006. Employee benefit plans are discussed further in Note 10 of the Notes to Combined Financial Statements.

Capital Plan and Regulatory Requirements

Each Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plans assess the capital level necessary for financial viability and to provide for growth. Each plan is updated at least annually and approved by the institution's Board of Directors. FCA regulations require Boards of Directors to consider certain factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of an institution's customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, potential obligations under joint and several liability, contingent and off-balance sheet liabilities and other conditions warranting additional capital.

FCA regulations establish minimum capital standards expressed as a ratio of capital to assets, taking into account relevant risk factors for all System institutions. In general, the regulations provide for a relative risk weighting of assets and establish a minimum ratio of permanent capital, total surplus and core surplus to risk-weighted assets. Additionally, all System Banks are required to maintain a minimum net collateral ratio of 103%. The net collateral ratio is basically a leverage ratio and is not risk-based. A net collateral ratio below 104% triggers provisions of the System's Market Access Agreement (MAA) that could restrict or prohibit AgBank's issuance of Systemwide Debt Securities. AgBank closely monitors the level of the net collateral ratio and targets a ratio of 104.75% to 105.25%. AgBank's capital ratios and net collateral ratio as of December 31 and the FCA minimum requirements are as follows:

	Regulatory Minimum	**2007**	2006	2005
Permanent Capital Ratio	7.00%	**20.68%**	20.42%	21.93%
Total Surplus Ratio	7.00%	**17.52%**	17.00%	18.70%
Core Surplus Ratio	3.50%	**14.17%**	11.56%	12.96%
Net Collateral Ratio	103.00%	**105.03%**	105.06%	105.03%

AgBank's regulatory capital ratios remained very sound, with most ratios increasing during 2007. The ratios were significantly impacted by the issuance of preferred stock and an increase in risk-adjusted assets. Risk-adjusted assets were higher as a result of the growth in wholesale loans to Associations and investments, which are risk weighted at 20% for regulatory capital purposes.

Information on the Association capital ratios is detailed below.

		2007			2006			2005		
	Regulatory Minimum	**High**	**Low**	**Weighted Average**	High	Low	Weighted Average	High	Low	Weighted Average
Permanent Capital Ratio	7.00%	**30.90%**	**11.56%**	**17.30%**	31.40%	11.18%	17.32%	28.88%	12.19%	17.69%
Total Surplus Ratio	7.00%	**30.18%**	**11.32%**	**15.97%**	30.61%	11.00%	15.94%	28.11%	9.78%	16.16%
Core Surplus Ratio	3.50%	**29.20%**	**10.69%**	**15.02%**	29.61%	10.46%	15.42%	28.01%	9.78%	15.55%

All District Associations and AgBank exceeded the regulatory requirements at December 31, 2007, and are expected to do so throughout 2008.

For a complete discussion of the changes in shareholder's equity, you should refer to the Statement of Changes in Shareholder's Equity and Note 8 of Notes to Combined Financial Statements.

Economic Capital

The District's capital management framework is intended to ensure there is sufficient capital to support the underlying risks of its business activities, exceed all regulatory and System capital requirements, and achieve certain capital adequacy objectives. We began our economic capital project in 2004 and have implemented economic capital software, methodologies, and assumptions to quantify the capital requirements related to the primary areas of risk. We periodically determine our economic capital requirements, based on the credit risk, interest rate risk, operational risk, and market risk inherent in our operations. Due to the evolving nature of economic capital, we anticipate the methodologies and assumptions will continue to be refined.

Economic capital is a measure of risk and is defined as the amount of capital required to absorb potential unexpected losses resulting from extremely severe events over a one-year time period.

- "Unexpected losses" are the difference between potential extremely severe losses and the expected (average) loss over a one-year time period.
- The amount of economic capital required is based on our risk profile and a targeted solvency standard. For economic capital modeling purposes, AgBank, in conjunction with the other System Banks, has targeted a "AA" solvency standard, which equates to a 99.97% confidence level. This means the likelihood of incurring losses in excess of the required economic capital amount is estimated to be similar to the likelihood of a "AA" rated bond defaulting (0.03% probability).

There are four types of risk which are considered in attributing economic capital:

- Credit Risk - The risk that borrowers or counterparties default on their financial obligations.
- Interest Rate Risk - The risk generated from changes in interest rates.
- Operational Risk - The risk of loss resulting from inadequate or failed internal processes or systems, human factors, or changes in the competitive environment.
- Market Risk - Exposures related to asset residual values affiliated with leasing activity.

These risks are measured and aggregated to estimate the exposure to potential extremely severe events and any impact to our level or composition of capital.

Methodologies and assumptions used in measuring economic capital were jointly developed by our risk management and financial management personnel, in consultation with industry experts. The modeling considers the economic capital requirements of Associations, through the evaluation of the Associations' retail credit risk, operational risk, and interest rate risk. An economic capital shortfall (which is the difference between available capital and required economic capital) at any Association is included in AgBank's economic capital requirements. All models are calibrated to achieve a standard of default protection equivalent to a "AA" rated institution. At December 31, 2007, AgBank and total District Associations held capital in excess of economic capital requirements.

Interest Rate Risk (IRR) Management

Our overall IRR management objective is to maintain a sound level of capital, earnings, market value of equity, and liquidity, regardless of the interest rate environment. IRR is the variability in earnings or long-term value that may result from changes in interest rates. Because AgBank match funds most of the Association loans, AgBank incurs and manages the majority of IRR for the District. Our primary sources of IRR include:

- Yield curve risk - results from changes in the level, shape, and implied volatility of the yield curve. Changes in the yield curve often arise due to the market's expectation of future interest rates at different points along the yield curve.
- Repricing risk - caused by the timing differences (mismatches) between financial assets and related funding that limit the ability to alter or adjust the rates earned on assets or paid on liabilities in response to changes in market interest rates.
- Option risk - results from "embedded options" that are present in many financial instruments, including the right to prepay loans before the contractual maturity date. Lending practices or loan features that provide the borrower with flexibility frequently introduce a risk exposure for the lender. For example, the cash flows on some of our fixed-rate agricultural loans and most of our mortgage-related investment securities are sensitive to changes in interest rates because borrowers may have the flexibility to partially or completely repay the loan ahead of schedule. If interest rates have fallen, we may be forced to reinvest prepaid principal at a lower rate, which may reduce our interest rate spread unless the underlying debt can be similarly refinanced. Interest rate caps are another form of embedded option risk that may be present in certain investments and adjustable rate loans. Interest rate caps typically prevent the rate on the loan or investment from increasing above a defined limit. In a rising rate environment, our spread may be reduced if caps limit upward adjustments to loan rates while debt costs continue to increase.
- Basis risk - results from unexpected changes in the relationships among interest rates and interest rate indexes. Basis risk can produce volatility in the spread earned on a loan or an investment relative to its cost of funds. This risk arises when the floating rate index tied to a loan or investment differs from the index on the debt issued to fund the loan or investment.

The process for managing IRR is based on the policies and guidelines established by our Boards of Directors and Asset/Liability Management Committees. These policies address measuring and managing IRR and establish limits for IRR exposure. IRR retained by the Associations is predominately related to the change in earnings on capital.

One of the primary benefits of our status as a GSE is daily access to the debt markets and a great deal of structural flexibility in the maturity and types of debt securities issued. Structural flexibility enables us to issue System Debt Securities that offset some of the primary IRR exposure embedded in our loans. For example, by issuing LIBOR and/or prime indexed, floating-rate Systemwide Debt Securities we are able to minimize the basis risk exposure presented by our LIBOR-indexed, variable-rate and prime rate loans. As previously discussed, some of our fixed-rate loans provide borrowers with the option to prepay their loans. In most interest rate environments, we can issue callable debt to help manage this risk exposure. Callable debt provides us with the option to call and retire debt early in order to maintain a better match between the duration of our assets and our liabilities.

While some of our fixed-rate loans provide the borrower with the option to prepay the loan at any time, a significant portion of our fixed-rate loans contain provisions requiring a reinvestment fee to partially or fully compensate us for the cost of retiring the debt that is funding the loan asset.

The techniques utilized to measure and manage our IRR exposure on a monthly and quarterly basis are:

- Interest Rate Gap Analysis - compares the amount of interest sensitive assets to interest sensitive liabilities in defined time periods.
- Duration Gap Analysis - measures the difference between the estimated durations of assets and liabilities.
- Net Interest Income Sensitivity Analysis - projects the impact of changes in the level of interest rates on net interest income for the next year.
- Market Value of Equity Sensitivity Analysis - estimates the market value of assets, liabilities and equity, given various interest rate scenarios.

The assumptions used in these analyses are monitored routinely and adjusted as necessary.

Interest Rate Gap Analysis

The difference between the amount of interest earning assets and interest bearing liabilities repricing or maturing in a given time period is referred to as a "gap." A positive gap denotes asset sensitivity, whereby more assets would be repricing than liabilities. A negative gap denotes liability sensitivity or a greater amount of liabilities repricing than assets, over a given period of time. Within the gap analysis, gaps are also created when capital is used to fund assets. Capital reduces the amount of debt that otherwise would be required to fund a certain level of assets. When interest rates are falling, our capital is invested in loans and investment securities that are repricing to lower yields. When interest rates are rising, our capital is invested in assets that are being repriced to higher yields. The interest rate gap analysis is a static indicator, which does not reflect the dynamics of the balance sheet (including rate and spread changes), and may not necessarily indicate the sensitivity of net interest income in a changing rate environment. The following analysis reflects the District's gap position in defined time segments, including the impact of derivatives.

INTEREST RATE GAP ANALYSIS
As of December 31, 2007

(dollars in millions)	0-6 Months	7-12 Months	1 Year-5 Years	Over 5 Years	Total
INTEREST EARNING ASSETS					
Loans and notes receivable, net	$ 12,730.5	$ 833.8	$ 3,689.6	$ 2,501.8	$ 19,755.7
Investment securities and federal funds	3,677.2	444.3	1,365.5	778.6	6,265.6
Total interest earning assets	$ 16,407.7	$ 1,278.1	$ 5,055.1	$ 3,280.4	$ 26,021.3
INTEREST BEARING LIABILITIES					
Systemwide debt securities	$ 11,981.0	$ 1,384.6	$ 4,180.4	$ 3,557.7	$ 21,103.7
Other bonds and notes	638.1	0.9	0.5	-	639.5
Total interest bearing liabilities	$ 12,619.1	$ 1,385.5	$ 4,180.9	$ 3,557.7	$ 21,743.2
Static Gap	$ 3,788.6	$ (107.4)	$ 874.2	$ 277.3	$ 4,278.1
Cumulative Gap	$ 3,788.6	$ 3,681.2	$ 4,555.4	$ 4,278.1	$ -

We had a positive cumulative gap through 1 year of $3.68 billion as of December 31, 2007. Given our asset sensitivity, earnings would generally increase in the short-term from a market characterized by rising interest rates and decrease in a declining interest rate environment.

Duration Gap Analysis

Duration is the weighted average maturity (typically measured in months or years) of an instrument's cash flows, weighted by the present value of those cash flows. As such, duration provides an estimate of an instrument's sensitivity to small changes in market interest rates. The duration gap is the difference between the estimated durations of assets and liabilities. Duration gap summarizes the extent to which estimated cash flows for assets and liabilities are matched, on average, over time. A positive duration gap indicates the duration of assets exceeds the duration of liabilities. A negative duration gap indicates the duration of assets is less than the duration of liabilities. A duration gap within the range of a positive three months to a negative three months generally indicates a small exposure to changes in interest rates. The duration gap provides a relatively concise and simple measure of the IRR inherent in the balance sheet, but it is not directly linked to expected future earnings performance. At December 31, 2007, our duration of assets was 18.2 months and duration of liabilities was 18.7 months, resulting in a negative duration gap of 0.5 months. At December 31, 2006, the duration gap was negative 2.3 months.

Interest Rate Sensitivity Analysis

In addition to the static view of interest rate sensitivity shown by interest rate gap and duration gap analysis, we conduct simulations of net interest income and market value of equity. Our net interest income (NII) reflects the difference between the interest income earned on loans and investments (interest earning assets) and the interest expense paid on debt, typically Systemwide bonds and notes (interest bearing liabilities). A common method utilized to measure NII sensitivity is rate shock analysis. Rate shock analysis simulates the impact of an immediate parallel change in interest rates, typically plus and minus 2.00% (200 basis points). A 200 basis point shock is a general standard considered by the Basel Committee on Banking Supervision. We also model NII exposure to other types of interest rate changes, such as rate ramp and yield curve slope changes.

Market Value of Equity (MVE) represents the market value of our assets less the market value of our liabilities. MVE approximates the value that could be received, in theory, through the liquidation of our assets and liabilities at a given period in time. Rate shock analysis is also utilized to measure MVE sensitivity.

The following table reflects our NII and MVE sensitivity to interest rate changes as of December 31.

	Net Interest Income Sensitivity Analysis				Market Value of Equity Sensitivity Analysis			
	-169 b.p.*	**-100 b.p.**	**+100 b.p.**	**+200 b.p.**	**-169 b.p.***	**-100 b.p.**	**+100 b.p.**	**+200 b.p.**
December 31, 2007	**(6.4%)**	**(4.0%)**	**6.2%**	**13.6%**	**1.2%**	**1.3%**	**(1.3%)**	**(2.2%)**
December 31, 2006	(5.2%)	(3.9%)	6.2%	12.3%	0.0%	0.4%	(0.3%)	(0.5%)
CIPA Limit **	(15.0%)			(15.0%)	(15.0%)			(15.0%)

* *Consistent with regulatory reporting requirements, the -169 basis point interest rate shock scenario reflects one-half of the 3-month Treasury rate at December 31, 2007. Based on Treasury rates at December 31, 2006, this interest rate shock scenario was -200 basis points.*

** *Limit established in System Contractual Interbank Performance Agreement (CIPA).*

Based on these sensitivity results, our NII would generally benefit, in the short-term, from a market characterized by rising interest rates. However, a 200 basis point increase in interest rates would result in a negative impact to our MVE. In contrast, our NII would generally deteriorate in a declining interest rate environment while the impact to MVE would be slightly positive.

Derivative Instruments

Our creditworthiness also enables us to effectively participate in the derivatives markets. Derivative instruments are used as hedges against interest rate and liquidity risks and to lower the overall cost of funds. Derivative transactions are not entered into or held for trading or speculative purposes. The ability to issue various types of debt securities, or modify the debt securities by using derivative instruments, provides greater and necessary flexibility to manage interest rate risk. The aggregate notional amount of derivative financial instruments, most of which consisted of interest rate swaps (swaps) and interest rate caps, decreased to $4.45 billion at December 31, 2007, compared with $5.96 billion at December 31, 2006.

The derivative information below represents the types of derivatives and their notional amounts outstanding for the periods indicated. The fair values of these derivatives were recognized in the Combined Statement of Condition.

		December 31	
(dollars in millions)	**2007**	2006	2005
Pay floating swaps	**$ 3,080.0**	$ 4,105.0	$ 4,457.6
Pay fixed swaps	**17.4**	34.2	51.5
Interest rate caps	**1,255.0**	1,425.0	1,715.0
Interest rate floors	**100.0**	400.0	400.0
Total	**$ 4,452.4**	$ 5,964.2	$ 6,624.1

In managing our interest rate and liquidity risks, different derivative types are used to achieve a variety of objectives. Our pay floating swaps are used to improve liquidity and obtain lower cost funding. They are used to change the repricing characteristics of certain liabilities from a fixed rate to a floating rate matching the floating rate repricing characteristics of the assets they fund. Pay fixed swaps are used primarily to change the repricing characteristics of liabilities from floating rate to fixed rate, generally to take advantage of lower rates or to lock in the cost of future debt issuance. Interest rate caps are used to protect interest income by offsetting caps that are present in certain adjustable rate loans we make and floating rate investments we hold. Interest rate caps are also used to place a ceiling on the interest rates on issuances of debt thereby managing interest expense. Interest rate floors are useful in offsetting the declines in interest income on variable or floating rate assets which occur when interest rates fall.

By using derivative instruments, AgBank is exposed to the credit risk of the counterparty. We manage this counterparty credit risk by:

- Diversifying our derivative positions among various counterparties;
- Selecting highly rated counterparties;
- Using master agreements that provide for the "netting" of payments and the "right of offset" with a counterparty; and
- Executing collateral support agreements which may require either the posting or receipt of collateral and which limits the unsecured exposure to the counterparty.

Notional amounts of these instruments, which are not reflected on the Combined Statement of Condition, are indicative of the activities in derivative instruments, but are not indicative of the significantly lower level of credit risk associated with these instruments. The following table summarizes counterparty notional amounts outstanding by credit rating of the counterparty.

	December 31, 2007			December 31, 2006		
(dollar in millions) S&P Credit Rating	**Number of Counterparties**	**Notional Amounts**	**Percent of Notional**	Number of Counterparties	Notional Amounts	Percent of Notional
AA+	**1**	**$ 400.0**	**9.0%**	-	$ -	-
AA	**4**	**1,660.0**	**37.3**	2	1,230.0	20.6%
AA-	**2**	**955.0**	**21.4**	5	2,164.2	36.3
A+	**2**	**1,107.4**	**24.9**	3	2,570.0	43.1
A	**1**	**330.0**	**7.4**	-	-	-
Total	**10**	**$ 4,452.4**	**100.0%**	10	$ 5,964.2	100.0%

The credit risk exposure is a small percentage of the notional amounts and represents the replacement cost of the derivative in the marketplace in the event of non-performance by the counterparty. To the extent that the derivative has a positive fair value, the counterparty would owe us on early termination of the derivative and therefore we are exposed to credit risk from the counterparty. The following table shows our exposure to credit risk from counterparties at December 31, 2007. Credit exposure to counterparties on derivatives is shown below by credit rating and maturity.

(dollars in millions)

S&P Credit Rating	Number of Counterparties	Notional Principal	Years to Maturity (1) Less than 1 year	1-5 Years	Over 5 Years	Maturity Distribution Netting (2)	Exposure	Collateral Held	Exposure Net of Collateral
AA	4	$ 1,660.0	$ -	$ 3.8	$ 10.4	$ (1.1)	$ 13.1	$ -	$ 13.1
AA-	1	625.0	0.1	4.7	3.8	-	8.6	-	8.6
A+	2	1,107.4	-	6.8	1.5	(0.5)	7.8	-	7.8
A	1	330.0	-	5.5	-	(0.3)	5.2	-	5.2
Total	8	$ 3,722.4	$ 0.1	$ 20.8	$ 15.7	$ (1.9)	$ 34.7	$ -	$ 34.7

(1) Represents gain positions on derivative instruments with individual counterparties. Net gains represent the exposure to credit loss estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts within a maturity category. Within each maturity category, contracts in a loss position are netted against contracts in a gain position with the same counterparty. If the net position within a maturity category with a particular counterparty is a loss, no amount is reported.

(2) Represents the cumulative impact of netting gains and losses where the result of the netting is negative within a maturity category with the same counterparty.

In cases where we would owe the counterparty on early termination of the derivative, credit risk is not created and therefore is excluded from the table. Two counterparties have been excluded at December 31, 2007 totaling $730.0 million of notional amounts with the counterparties' exposure to us of $832 thousand. No collateral was required to be posted at December 31, 2007 or 2006 by us. As of February 28, 2008, we have not been required to post collateral for any transactions; however, two counterparties have posted $6.9 million of collateral with us.

OTHER RISKS

Structural Risk

Structural risk exists from the fact that AgBank, along with our affiliated Associations are part of the Farm Credit System. The System is comprised of five Banks and 95 Associations that are cooperatively owned, directly or indirectly, by their borrowers. As System institutions are financially and operationally interdependent, this structure at times requires action by consensus or contractual agreement. Further, there is structural risk in that only the System Banks are jointly and severally liable for payments of Systemwide Debt Securities. If a System Bank defaults on payments on Systemwide debt obligations, the assets of the Farm Credit System Insurance Corporation (FCSIC) would be utilized until depleted. Then, under joint and several liability, the non-defaulting System Banks would be called upon to fulfill those remaining obligations. Total Systemwide debt at December 31, 2007 was $154.44 billion. The assets of FCSIC were $2.60 billion. Refer to Note 1C of the Notes to Combined Financial Statements for further information on the FCSIC. Although capital at the Association level reduces a Bank's credit exposure with respect to its direct loans to its affiliated Associations, this capital may not be available to support the payment of principal and interest on Systemwide Debt Securities.

Several levels of discipline and protection are in place to mitigate this risk of joint and several liability, including two integrated contractual agreements - the Amended and Restated Contractual Interbank Performance Agreement (CIPA), and the Amended and Restated Market Access Agreement (MAA). Under provisions of the CIPA, a score is calculated that measures the financial condition and performance of each District using various ratios that take into account capital, asset quality, earnings, interest rate risk and liquidity. Based on these measures, the CIPA establishes an agreed-upon standard of financial condition and performance that each District must achieve and maintain.

Periodically, the ratios in the CIPA model are reviewed, with the assistance of an independent party, to take into consideration current performance standards in the financial services industry. The CIPA also prescribes monetary penalties which are applied if the minimum performance standard is not met. These penalties will occur at the same point at which a Bank would be required to provide additional monitoring information under the MAA.

The MAA establishes criteria and procedures for the Banks to provide certain additional information and, under specified circumstances, for restricting or prohibiting an individual Bank's participation in issuances of System Debt Securities. AgBank must maintain sufficient collateral and other financial performance ratios as a condition for participation in those issuances. The MAA was designed for the early identification and resolution of individual Bank financial problems in a timely manner and discharges the Funding Corporation's statutory responsibility for determining conditions of participation for each Bank's participation in each issuance of Systemwide Debt Securities.

During the three years ended December 31, 2007, AgBank significantly exceeded the minimum standards required by the CIPA, and was in compliance with all aspects of the MAA.

Operational Risk

Operational risk relates to the risk of loss resulting from inadequate or failed processes or systems, human error or external events, including the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and the risk of fraud by employees or persons outside the District. The Bank and Associations are required, by regulation, to adopt an internal control policy that provides adequate direction to the institution in establishing effective control over, and accountability for, operations, programs and resources.

By FCA regulation, all District institutions are required to develop, maintain, and annually test a business continuity plan. These plans enable mission critical systems and functions to be resumed in the event of a disruption. Effective business continuity planning should minimize disruptions of service to the institution and its customers, ensure timely resumption of operations, and limit financial loss.

Political Risk

We are an instrumentality of the federal government and are intended to further governmental policy concerning the extension of credit to agriculture and rural America. We may be directly affected by federal legislation through changes to the Farm Credit Act, or indirectly, through such legislation as agricultural appropriations bills. Political risk to the System is the risk of reduction or loss of support for the System or agriculture by the U.S. government.

The System manages political risk through The Farm Credit Council (Council), which is a full-service, federated trade association. The Council represents the System before Congress, the Executive Branch, and others. The Council involves System directors and executives to develop System positions and policies and works to provide input on federal legislation and other government actions that impact the System. In addition to the Council, our District has its own District Council, which is a member of the Council. Our District Council represents the interests of AgBank and the 29 Associations on a local and state level, as well as participating with the Council on a federal level.

REGULATORY MATTERS

As of December 31, 2007, there were no enforcement actions in effect and FCA took no enforcement actions during the year relating to AgBank or District Associations.

In July 2006, the FCA Board approved a rule governing the ability of a Bank or Association to terminate its System charter and become a financial institution under another federal or state chartering authority. This rule, which became effective in January 2007, is intended to update the existing regulations.

In November 2006, the FCA Board approved a rule that amends existing regulations relating to System-level disclosure and reporting requirements and the disclosure and reporting requirements of Banks and Associations. The final rule includes revisions that, among other things:

- require Banks and Associations with total assets over $1 billion to include an assessment of their internal control over financial reporting in their annual reports;
- reduce reporting filing deadlines with the FCA to 40 and 75 calendar days for Bank and Association quarterly and annual reports;
- require the Funding Corporation include an assessment of the System's internal control over financial reporting in the System's annual information statements and obtain an attestation from the independent auditor; and,
- revise regulations with respect to auditor independence and rotation, non-audit services and fees paid to the independent auditors.

The filing deadline changes are effective with the year-end 2007 annual report. On July 12, 2007, the FCA Board adopted a proposed rule which became effective February 6, 2008 that would allow System institutions 90 days after the end of the year to prepare and distribute paper copies of their annual reports to shareholders. Each institution would be required to file electronic copies of the reports with FCA and post the report to its website within 75 days. The assessment of internal controls over financial reporting is effective with the first disclosure required in the 2008 annual report.

In September 2007, the FCA issued a final rule and a direct final rule amending the priority of claims regulations. The final rule amended the priority of claims regulations to give the same subrogation rights to a Bank that makes a joint and several liability payment under a written agreement as the Bank has under a statutory joint and several call. The FCA must approve the written agreement. The direct final rule amended the priority of claims regulations to clarify that subordinated claims are to be paid after the claims of general creditors are paid in full.

On October 31, 2007, the FCA published an advanced notice of public rulemaking in the Federal Register with respect to the consideration of possible modifications to the FCA's risk-based capital rules for System institutions that are similar to the standardized approach delineated in the Basel II Framework. The FCA is seeking comments to facilitate the development of a proposed rule that would enhance their regulatory capital framework and more closely align minimum capital requirements with risks taken by System institutions. Comments on the advanced notice of public rulemaking are due no later than March 31, 2008. The System is in the process of developing a comment letter to provide to the FCA on the advanced notice of public rulemaking.

PROPOSED FEDERAL LEGISLATION

The current farm bill expired on September 30, 2007. In July 2007, the House of Representatives passed its version of a new farm bill - the Farm, Nutrition, and Bioenergy Act of 2007. In December 2007, the Senate passed its version of the farm bill - the Food and Energy Security Act of 2007. The two farm bills as passed contain provisions that would expand certain authorities of the Insurance Corporation. The proposed changes generally would authorize the Insurance Corporation to collect higher levels of premiums and expand the base upon which premiums are charged. Premiums of up to 20 basis points could be charged against insured debt adjusted for government-guaranteed loans and up to an additional 10 basis points could be charged for any loan volume that is nonaccrual or investments that are other-than-temporarily impaired. Currently, premiums of up to 15 basis points may be charged on accruing loans and up to 25 basis points for nonaccrual loans. At the end of 2007, Congress adopted a short term extension of current law that expires on March 15, 2008. Before a new farm bill can be enacted into law, the Senate and House of Representatives must complete the conferencing process. There is an underlying permanent law that could become effective and guide commodity support programs should Congress fail to adopt a new farm bill, which requires the President's signature to become law. It is premature to predict the final outcome of this legislative process.

GOVERNANCE

Boards of Directors

AgBank, AgVantis and each Association have a separate board of directors that provides direction and oversees the management of the institution. Each board of directors is comprised of directors elected by the stockholders and at least one non-affiliated director appointed by the stockholder elected directors. Each board of directors represents the interests of the stockholders of their particular institution. Each board performs the following functions, among others:

- selects, evaluates and compensates the chief executive officer;
- approves the strategic plan, capital plan, financial plan and the annual operating budget;
- oversees the lending operations;
- advises and counsels management on significant issues; and,
- oversees the financial reporting process, communications with stockholders and the institution's legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in the entity's best interest. All our directors are independent from the perspective that none of our management or staff serves as Board members. However, we are a financial services cooperative, and the Farm Credit Act and FCA Regulations require that elected directors have a loan relationship with an Association. No AgBank directors have a loan relationship with AgBank.

The elected directors have a vested interest in ensuring their Association remains strong and successful. However, an Association borrowing relationship could be viewed as having the potential to compromise the independence of an elected director. For this reason, some Boards have established independence criteria to ensure that an Association loan relationship does not compromise the independence. In addition, FCA regulations require AgBank approval of all Association loan actions or loan servicing actions that involve an Association or AgBank director or the immediate family member of an Association or AgBank director.

Audit Committee

The Boards of Directors of AgBank, AgVantis and each Association have established audit committees. Each audit committee reports to its respective board of directors. The audit committee responsibilities generally include, but are not limited to:

- oversight of financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- the oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;

- the review and assessment of the impact of accounting and auditing developments on the financial statements; and,
- the establishment and maintenance of procedures for the receipt, retention and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls or auditing matters.

Code of Ethics

All directors and employees of the various institutions are responsible for maintaining the highest of standards in conducting our business. In that regard, each institution has established a Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and certain other senior financial professionals who are involved, directly or indirectly, with the preparation of financial statements and the maintenance of financial records supporting the financial statements. These Codes of Ethics supplement each institution's Standards of Conduct Policies for Directors and Employees. Annually, each employee and director files a written and signed disclosure statement as required under the Standards of Conduct Policies. Likewise, the Chief Executive Officer, Chief Financial Officer and certain other senior financial professionals certify compliance with the institution's Code of Ethics on an annual basis.

Complaints Regarding Accounting, Internal Accounting Controls and Auditing Matters

Programs are maintained for employee complaints related to accounting, financial reporting, internal accounting controls, or auditing matters. These programs allow employees to submit concerns regarding accounting, financial reporting, internal accounting controls, or auditing matters without the fear of reprisal, retaliation or adverse action being taken against any employee who, in good faith, reports or assists in the investigation of a violation or suspected violation, or who makes an inquiry about the appropriateness of an anticipated or actual course of action.

FORWARD-LOOKING INFORMATION

Our discussion contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," and "will" or other variations of these terms are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and/or the Farm Credit System; and,
- actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our combined financial statements are based on accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because management has to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2 of the accompanying combined financial statements. The development and selection of critical accounting policies, and the related disclosures, have been reviewed with the Audit Committee of AgBank's Board of Directors. A summary of critical policies relating to determination of the allowance for loan losses, valuation of certain financial instruments, accounting for hedging activities and assumptions regarding pension expense follows.

Allowance for Loan Losses

The allowance for loan losses is management's best estimate of the amount of probable loan losses existing in and inherent in the loan portfolio as of the balance sheet date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. We determine the allowance for loan losses based on a regular evaluation of each loan portfolio, which generally considers recent historic charge-off experience adjusted for relevant factors.

Loans are evaluated based on the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantor; and, if appropriate, the estimated net realizable value of any collateral. The allowance for loan losses attributable to these loans is established by a process that estimates the probable loss inherent in the loans, taking into account various historical and projected factors, internal risk ratings, regulatory oversight, geographic, industry and other factors.

Changes in the factors we consider in the evaluation of losses in the loan portfolios could occur for various credit related reasons and could result in a change in the allowance for loan losses, which would have a direct impact on the provision for loan losses and results of operations. See Note 3 to the accompanying combined financial statements for detailed information regarding the allowance for loan losses.

Valuation of Certain Financial Instruments

We apply various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when liquid markets do not exist for the items being valued.

Our investment securities that are classified as "available-for-sale" are reported at their fair value based on estimated market prices. Valuing certain investments requires the use of cash flow models which are sensitive to the timing and amount of cash flow.

The fair values of derivatives are an estimate based on the value at which each financial instrument could be currently exchanged or settled between willing parties. Changes in the fair value of derivatives are recorded in accumulated other comprehensive income or current period earnings depending on the type of derivative and whether it qualifies for hedge accounting.

We utilize significant estimates and assumptions to value financial instruments for which an observable liquid market does not exist. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on market values and on our results of operations. See Note 16 to the accompanying combined financial statements for detailed information regarding valuation of certain financial instruments.

Accounting for Hedging Activity

We use derivatives in our hedging strategies. Accounting for hedging activities requires significant judgment and interpretation in the application of very complex and evolving accounting principles. Judgments involve, but are not limited to, the determination of whether a financial instrument or other contract meets the definition of a derivative in accordance with Statement of Financial Accounting Standard Nos. 133/138, as amended, and the applicable hedge criteria, including whether the derivatives used in hedging transactions have been, and are expected to be, highly effective as hedges. See Note 15 to the accompanying combined financial statements for detailed information regarding derivatives.

Pension Plans

We currently have employees and retirees covered by two separate defined benefit retirement plans. A significant number of our employees are covered under one or the other of these pension plans. These plans are non-contributory and benefits are based on compensation and years of service. We also have certain employees covered by a District-wide nonqualified pension restoration defined benefit plan. We include pension expense for all plans as part of employee benefits expense. We recognize an adjustment to accumulated other comprehensive loss for the under funded status and the unamortized actuarial losses and prior service costs related to the plans, in addition to a liability for obligations related to the plans. The accumulated other comprehensive loss, pension liability and pension expense are determined by actuarial evaluations based on assumptions that are evaluated annually as of September 30, the measurement date for our defined benefit pension plans. The most significant assumptions are the expected long-term rate of return on the plans' assets and the discount rate used to determine the present value of pension obligations. We have established current year assumptions related to the accounting for the defined benefit plans based on our review of current market conditions and our view of anticipated longer-term market conditions. Pension expense and the assumptions used in the calculation are presented in Note 10 to the accompanying combined financial statements.

CUSTOMER PRIVACY

FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers and employees. FCA regulations and our Standards of Conduct Policies specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

U.S. AGBANK, FCB

REPORT OF MANAGEMENT

The combined financial statements of U.S. AgBank, FCB (AgBank), affiliated Associations and AgVantis, Inc. (AgVantis) are prepared by management, who are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The combined financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and in the opinion of management, fairly present the combined financial condition of AgBank, the affiliated Associations, and AgVantis. Other financial information included in the 2007 Annual Report is consistent with that in the combined financial statements.

To meet its responsibility for reliable financial information, management depends on AgBank's, Associations' and AgVantis' accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance assets are safeguarded and transactions are properly authorized and recorded. To monitor compliance, the internal audit staff performs audits of the accounting records, reviews accounting systems and internal controls, and recommends improvements as appropriate. The combined financial statements are audited by PricewaterhouseCoopers LLP, independent auditors, who also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. AgBank, Associations, and AgVantis are also examined by the Farm Credit Administration.

The Audit Committee of the board of directors has overall responsibility for AgBank's system of internal control and financial reporting. The Audit Committee consults regularly with management and meets periodically with the independent auditors and internal auditors to review the scope and results of their work. The independent auditors and internal auditors have direct access to the Audit Committee.

The undersigned certify that the U.S. AgBank District 2007 Annual Report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Glen A. Rector
Chairman of the Board
U.S. AgBank, FCB

Darryl W. Rhodes
President and Chief Executive Officer
U.S. AgBank, FCB

David D. Janish
Senior Vice President-Finance
U.S. AgBank, FCB

February 28, 2008

U.S. AGBANK, FCB

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) includes eight members from the Board of Directors of U.S. AgBank, FCB (AgBank). In 2007, eleven Committee meetings were held. The Committee oversees the scope of AgBank's internal audit program, the independence of the outside auditors, the adequacy of AgBank's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's responsibilities are described more fully in the Audit Committee Charter as found on AgBank's website. The Committee approved the appointment of PricewaterhouseCoopers, LLP (PwC) as AgBank's independent auditor for 2007.

The following table sets forth the aggregate fees for professional services rendered for the District by its independent auditor PricewaterhouseCoopers LLP for the years ended December 31, 2007, 2006 and 2005:

(dollars in thousands)	**2007**	2006	2005
Audit	**$ 1,305**	$ 1,126	$ 1,113
Tax	**146**	127	127
All Other	**-**	27	3
Total	**$ 1,451**	$ 1,280	$ 1,243

The Audit fees were for professional services rendered for the audits of District entities. Tax fees for most Associations were for services related to tax compliance, including the preparation of tax returns and claims for refunds, and tax planning and tax advice. The All Other fees in 2006 were for services rendered for information technology services.

Management is responsible for AgBank's internal controls and the preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the District's combined financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the District's Quarterly Reports and the District's audited combined financial statements for the year ended December 31, 2007 (the "Audited Financial Statements") with management and PwC. The Committee also reviews with PwC the matters required to be discussed by Statement on Auditing Standards No. 114, (The Auditor's Communication with Those Charged with Governance), and both PwC and AgBank's internal auditors directly provide reports on significant matters to the Committee.

The Committee received the written disclosures and the letter from PwC in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and discussed with PwC its independence from AgBank District entities. The Committee also reviewed the non-audit services provided by PwC and concluded these services were not incompatible with maintaining the independent auditor's independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Audited Financial Statements in the AgBank District Annual Report to Shareholders for the year ended December 31, 2007.

Donnell Spencer

Donnell Spencer
Chairman of the Audit Committee

February 28, 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Two Warren Place
6120 South Yale Avenue, Suite 1850
Tulsa, OK 74136
Telephone (918) 524-1200
Facsimile (918) 524-1300

Report of Independent Auditors

To the Boards of Directors and Shareholders
of U.S. AgBank, FCB, District Associations,
and AgVantis:

In our opinion, the accompanying combined statement of condition and the related combined statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of U.S. AgBank District (the District) at December 31, 2007, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 28, 2008

COMBINED STATEMENT OF CONDITION

U.S. AgBank District

(Dollars in thousands)

	December 31		
	2007	2006	2005
ASSETS			
Loans	**$ 19,755,680**	$ 17,625,736	$ 16,781,194
Less: Allowance for loan losses	**66,164**	64,637	65,309
Net loans	**19,689,516**	17,561,099	16,715,885
Cash	**161,177**	114,632	108,464
Federal funds	**113,363**	102,833	138,321
Investment securities	**6,152,316**	4,913,848	4,015,006
Accrued interest receivable	**362,248**	345,912	275,934
Other property owned	**3,974**	6,793	2,331
Premises and equipment, net	**105,990**	91,176	82,410
Derivative assets	**39,988**	13,277	18,707
Other assets	**99,961**	108,123	93,643
Total assets	**$ 26,728,533**	$ 23,257,693	$ 21,450,701
LIABILITIES			
Systemwide debt securities	**$ 21,103,730**	$ 18,181,097	$ 16,887,255
Other bonds and notes	**639,493**	569,514	393,666
Accrued interest payable	**212,910**	207,093	156,708
Patronage refunds payable	**105,513**	88,171	73,209
Derivative liabilities	**6,086**	53,897	81,495
Other liabilities	**216,216**	176,074	126,362
Total liabilities	**22,283,948**	19,275,846	17,718,695
Commitments and Contingencies (Note 14)			
SHAREHOLDERS' EQUITY			
Protected stock	**708**	872	1,201
Preferred stock	**425,054**	153,125	166,892
Stock and participation certificates	**47,618**	65,294	72,043
Allocated retained earnings	**-**	3,008	5,997
Unallocated retained earnings	**4,098,753**	3,814,833	3,567,832
Accumulated other comprehensive income/(losses), net of tax	**(127,548)**	(55,285)	(81,959)
Total shareholders' equity	**4,444,585**	3,981,847	3,732,006
Total liabilities and shareholders' equity	**$ 26,728,533**	$ 23,257,693	$ 21,450,701

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENT OF INCOME

U.S. AgBank District
(Dollars in thousands)

	For the Year Ended December 31		
	2007	2006	2005
INTEREST INCOME			
Loans	**$1,352,191**	$1,220,814	$ 963,785
Investment securities	**333,184**	239,115	144,482
Total interest income	**1,685,375**	1,459,929	1,108,267
INTEREST EXPENSE	**1,021,542**	867,898	578,403
Net interest income	**663,833**	592,031	529,864
Provision for loan losses/(Loan loss reversals)	**3,583**	7,516	(10,165)
Net interest income after provision for loan losses	**660,250**	584,515	540,029
NONINTEREST INCOME			
Loan and prepayment fee income	**21,139**	16,400	16,811
Financially related services income	**7,362**	4,706	4,903
Mineral income	**10,316**	11,200	10,401
Other noninterest income	**10,170**	7,765	7,405
Total noninterest income	**48,987**	40,071	39,520
NONINTEREST EXPENSE			
Salaries and employee benefits	**169,207**	157,322	145,647
Occupancy and equipment	**16,930**	15,920	15,221
Other operating expenses	**60,214**	61,390	57,844
Supervisory expense	**8,088**	8,011	7,340
Merger-implementation costs	**-**	-	1,248
Losses on other property owned, net	**966**	354	539
Insurance fund premium	**27,176**	24,976	8,025
Intra-System financial assistance expenses	**-**	-	3,378
Loss on discontinuance of cash flow hedges	**1,180**	8,528	6,705
Loss on early extinguishment of debt	**1,425**	-	-
Total noninterest expense	**285,186**	276,501	245,947
Income before income taxes	**424,051**	348,085	333,602
Provision for/(Benefit from) income taxes	**3,552**	(427)	2,994
Net income	**$ 420,499**	$ 348,512	$ 330,608

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. AgBank District

(Dollars in thousands)

	Protected Stock	Preferred Stock	Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2004	1,592	135,246	92,447	7,897	3,326,986	(75,256)	3,488,912
Comprehensive Income							
Net income					330,608		
Change in unrealized losses on investments available-for-sale, net						(12,240)	
Change in unrealized losses on derivatives						12,204	
Minimum pension liability adjustment						(6,762)	
Income tax benefit related to other comprehensive income						95	
Total comprehensive income							323,905
Stock and participation certificates issued		250,999	24,034				275,033
Stock and participation certificates retired	(391)	(219,550)	(44,438)				(264,379)
Cash patronage refunds				(1,900)	(83,935)		(85,835)
Preferred stock cash dividends					(5,630)		(5,630)
Stock dividends		197			(197)		-
Balance at December 31, 2005	1,201	166,892	72,043	5,997	3,567,832	(81,959)	3,732,006
Comprehensive Income							
Net income					348,512		
Change in unrealized losses on investments available-for-sale, net						6,928	
Change in unrealized losses on derivatives						9,109	
Minimum pension liability adjustment						11,458	
Income tax benefit related to other comprehensive income						(821)	
Total comprehensive income							375,186
Stock and participation certificates issued		376,680	22,651				399,331
Stock and participation certificates retired	(329)	(390,729)	(29,400)				(420,458)
Cash patronage refunds				(2,989)	(92,821)		(95,810)
Preferred stock cash dividends					(8,408)		(8,408)
Stock dividends		282			(282)		-
Balance at December 31, 2006	$ 872	$ 153,125	$ 65,294	$ 3,008	$ 3,814,833	$ (55,285)	$ 3,981,847
Comprehensive Income							
Net income					420,499		
Change in unrealized losses on investments available-for-sale, net						(34,308)	
Change in unrealized losses on derivatives						1,656	
Minimum pension liability adjustment						5,533	
Total comprehensive income							393,380
Adjustment to initially apply SFAS No. 158						(45,144)	(45,144)
Stock and participation certificates issued		381,272	13,065				394,337
Stock and participation certificates retired	(164)	(334,648)	(30,741)				(365,553)
AgBank preferred stock issued		225,000					225,000
Cash patronage refunds				(3,008)	(110,899)		(113,907)
Preferred stock cash dividends					(21,477)		(21,477)
Stock dividends		305			(305)		-
Issuance costs of preferred stock					(3,898)		(3,898)
Balance at December 31, 2007	**$ 708**	**$ 425,054**	**$ 47,618**	**$ -**	**$ 4,098,753**	**$ (127,548)**	**$ 4,444,585**

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENT OF CASH FLOWS

U.S. AgBank District

(Dollars in thousands)

	For the Year Ended December 31		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 420,499**	$ 348,512	$ 330,608
Adjustments to reconcile net income to cash provided by/(used in) operating activities:			
Depreciation on premises and equipment	**8,699**	8,248	7,668
Provision for loan losses/(Loan loss reversals)	**3,583**	7,516	(10,165)
Amortization of discount/(premium) on debt instruments	**3,034**	256	(2,743)
Amortization of discount on investments	**(16,200)**	(2,275)	(1,389)
Losses on other property owned, net	**297**	292	595
Gains on the sale of premises and equipment	**(1,791)**	(470)	(1,131)
Derivative hedging activities	**(3,245)**	21,722	16,782
Change in assets and liabilities:			
Increase in accrued interest receivable	**(23,147)**	(63,933)	(55,531)
Increase in other assets	**(5,628)**	(15,301)	(9,270)
Increase in accrued interest payable	**21,410**	35,311	33,345
Increase in other liabilities	**7,448**	61,257	7,318
Total adjustments	**(5,540)**	52,623	(14,521)
Net cash provided by operating activities	**414,959**	401,135	316,087
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loan principal disbursed, net	**(2,414,761)**	(1,540,708)	(1,252,486)
Net (increase)/decrease in federal funds	**(10,530)**	35,488	79,901
Investments available-for-sale:			
Purchases	**(2,386,878)**	(1,447,622)	(2,653,527)
Proceeds from maturities and principal payments	**1,340,847**	1,213,369	1,696,435
Investments held-to-maturity:			
Purchases	**(9,091)**	-	-
Proceeds from maturities and principal payments	**80,994**	23,639	24,480
Expenditures for premises and equipment, net	**(21,722)**	(16,544)	(16,437)
Proceeds from sales of other property owned	**2,776**	255	3,334
Decrease in notes receivable	**7**	3,679	159
Net cash used in investing activities	**(3,418,358)**	(1,728,444)	(2,118,141)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Systemwide debt issued, net	**2,841,248**	1,268,097	1,653,726
Increase in other bonds and notes	**69,979**	175,848	222,275
Patronage distributions paid	**(100,766)**	(80,933)	(60,256)
Cash dividends paid	**(10,403)**	(8,408)	(5,639)
Protected stock retired	**(164)**	(329)	(391)
Stock issued	**619,337**	399,331	275,081
Stock retired	**(365,389)**	(420,129)	(263,988)
Issuance costs of preferred stock	**(3,898)**	-	-
Net cash provided by financing activities	**3,049,944**	1,333,477	1,820,808
Net increase in cash	**46,545**	6,168	18,754
Cash at beginning of period	**114,632**	108,464	89,710
Cash at end of period	**$ 161,177**	$ 114,632	$ 108,464

(continued)

COMBINED STATEMENT OF CASH FLOWS (continued from previous page)

U.S. AgBank District
(Dollars in thousands)

	For the Year Ended December 31		
	2007	2006	2005
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Loan amounts transferred to other property owned	**$ 254**	$ 5,009	$ 1,961
Loans exchanged for investment securities	**282,500**	679,290	-
Loan amounts charged off	**3,108**	10,413	7,116
Write down of other property owned	**1,112**	-	-
Patronage refunds transferred to other liabilities from:			
Unallocated retained earnings	**110,899**	92,821	83,935
Allocated retained earnings	**3,008**	2,989	1,900
Preferred stock cash dividends declared	**21,477**	8,408	5,630
Stock dividends declared	**305**	282	197
Change in unrealized losses in other comprehensive income	**(72,263)**	26,674	(6,703)
Supplemental Information:			
Interest paid	**1,011,830**	815,709	523,284
Income taxes paid	**758**	1,726	908

The accompanying notes are an integral part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

U.S. AgBank District

(Dollars in thousands, except as noted)

NOTE 1 - ORGANIZATION AND OPERATIONS

A. Organization

The Farm Credit System (the System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. The System was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The most recent significant amendment to the Farm Credit Act was the Agricultural Credit Act of 1987.

As required by the Farm Credit Act, the System specializes in providing financing and related services to qualified borrowers in the rural sector and to certain related entities. Through a nationwide network of locally owned cooperatives, the System makes credit available in all 50 states and the Commonwealth of Puerto Rico, which allows for both geographic and agricultural sector diversification.

The System institutions may also provide a variety of services to their borrowers, including credit and mortgage life or disability insurance, various types of crop insurance, estate planning, record keeping services, tax planning and preparation, and consulting. In addition, some System institutions provide leasing and related services to their customers.

The nation is currently served by four Farm Credit Banks (FCBs), each of which has specific lending authorities within its chartered territory, and one Agricultural Credit Bank (ACB) which has nationwide lending authorities. The ACB also has lending authorities of an FCB within a limited chartered territory. Each FCB and the ACB provides funding for Agricultural Credit Associations (ACAs) and/or Federal Land Credit Associations (FLCAs), which are collectively referred to as “Associations.”

U.S. AgBank, FCB (AgBank) is one of the banks of the System. AgBank is chartered to provide credit and credit related services in the states of Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Oklahoma, Utah, southeastern Idaho, and the far western edge of Wyoming. AgBank, its related Associations, and AgVantis, Inc. (AgVantis) are referred to as the “District.” On December 31, 2007, the District has 3 FLCAs and 26 ACA parent associations. Each ACA has two wholly owned subsidiaries (a FLCA subsidiary and a Production Credit Association (PCA) subsidiary). The Associations and certain other financing institutions (OFIs) jointly own AgBank.

AgBank and/or certain of its affiliated Associations jointly own service organizations created to provide technology services.

- AgVantis is owned by and provides technology and other operational services to nineteen Associations. In addition, technical and systems support for AgBank has been outsourced to AgVantis. AgVantis financial information is included in the District data; however, activity occurring between AgVantis and AgBank or the Associations has been eliminated in combination.
- Financial Partners Inc. is a technology service provider jointly owned by three Associations in conjunction with other System entities that are not part of the District. This investment is accounted for using the cost method.

AgBank, in conjunction with other System Banks, jointly owns several service organizations which were created to provide a variety of services for the System. These may be accounted for using the cost or equity method. These service organizations are dependent on the Banks for financial support and include:

- Federal Farm Credit Banks Funding Corporation (Funding Corporation) - provides for the issuance, marketing and processing of Systemwide Debt Securities using a network of investment dealers and dealer banks. The Funding Corporation also provides financial management and reporting services.
- FCS Building Association - leases premises and other fixed assets to the Farm Credit Administration, (FCA), as required by the Farm Credit Act.

- Farm Credit System Association Captive Insurance Company - provides insurance services to its member organizations as a reciprocal insurer.

In addition the Farm Credit Council, a full-service federated trade association, represents the System before Congress, the Executive Branch and others.

B. Farm Credit Administration

The FCA is delegated authority by Congress to regulate System institutions. FCA examines the activities of System institutions and certain actions by these entities are subject to the FCA's prior approval.

C. Farm Credit System Insurance Corporation

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). By law, the Insurance Fund is required to be used prior to invoking the joint and several liability of the Banks (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected stock at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation in providing assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System Bank is required to pay premiums into the Insurance Fund based on District annual average loan principal outstanding until the assets in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate Insured Debt or such other percentage of the Insured Debt as the Insurance Corporation, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, but it still must ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount. Financial responsibility for the AgBank premium assessments is allocated among AgBank and all District Associations based on retail loan volume.

D. Intra-District Restructurings

Effective January 1, 2005, AgCredit Financial, ACA headquartered in Stockton, California merged with American AgCredit, ACA headquartered in Santa Rosa, California. The merger was accounted for on a historical cost basis with the associations combined at their respective book values. The accounting for the merger had no impact on the District's combined financial statements.

E. Operations

Although the System Banks (Banks) and Associations are not commonly owned or controlled, they are financially and operationally interdependent. The financial interdependence of the Banks is a result of the statutory joint and several liability of the Banks for all Systemwide debt. The interdependence between the Banks and Associations results, in part, from the Banks serving as the intermediary between the financial markets and the retail lending activities of their affiliated Associations. The Banks are the primary source of funding and have some oversight responsibilities related to certain activities of their affiliated Associations. Banks raise funds principally through the sale of consolidated Systemwide bonds and notes to the public, through the Funding Corporation. District Associations borrow the majority of their funds from their related Bank. Banks and Associations are not authorized to accept deposits and cannot borrow from other financial institutions without the approval of their affiliated Bank. As a result, loans made by the Associations to agricultural borrowers are substantially funded by the issuance of Systemwide Debt Securities by the Banks. The repayment of the Systemwide Debt Securities is therefore dependent upon the ability of System borrowers to repay their loans. The Banks may also obtain a portion of their funds from internally generated earnings, from the issuance of common and preferred stock and, to a lesser extent, from the issuance of subordinated debt.

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be provided by AgBank and the affiliated Associations. AgBank and/or Associations are authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents and farm-related businesses. AgBank may also lend to financial institutions engaged in lending to eligible borrowers. The Associations also serve as intermediaries in offering term life insurance, disability income insurance and multi-peril crop insurance. In addition, certain Associations provide fee-based services to eligible borrowers in areas such as estate planning, financial management and fee appraisals.

ACAs borrow from AgBank to originate long-term real estate mortgage loans through the FLCA subsidiary and short- and intermediate-term loans through the PCA subsidiary. FLCAs borrow from AgBank to originate long-term real estate mortgage loans. OFIs borrow from AgBank to originate and service short- and intermediate-term loans.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the combined District conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of combined financial statements in conformity with GAAP requires the managements of AgBank, the Associations and AgVantis to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results may differ from these estimates. Significant estimates are discussed in these footnotes, as applicable. Certain amounts in prior years' combined financial statements have been reclassified to conform to the current year's financial statement presentation.

The accompanying combined financial statements include the accounts of AgBank, the Associations and AgVantis and reflect the investments in, and allocated earnings of, the service organizations in which AgBank and the Associations have partial ownership interests. All significant transactions and balances among AgBank, Associations, and AgVantis have been eliminated in combination.

Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48) that was effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies how an enterprise should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the enterprise has taken or expects to take on a tax return. Under FIN 48, the financial statements reflect expected future tax consequences of income tax positions presuming the relevant taxing authority's full knowledge of the position and all relevant facts, but without considering time values. FIN 48 is applicable to all uncertain positions for taxes accounted for under FASB Statement No. 109. AgBank and its related Associations adopted FIN 48 on January 1, 2007 and determined that interest and penalties would be classified as a component of income taxes. No adjustments to the deferred tax assets or tax liabilities were necessary as a result of this adoption or for the year ended December 31, 2007.

On September 30, 2006, the FASB issued Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. This Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Standard further requires the determination of the fair value of plan assets at year-end and recognition of actuarial gains and losses, prior service costs or credits, and transition assets and obligations as a component of comprehensive income. AgBank and its related Associations adopted the Standard on December 31, 2007. The adoption of this Standard increased accumulated other comprehensive loss by approximately $45.1 million in 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, AgBank and its related Associations use a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for AgBank and its related Associations for the year ending December 31, 2008.

In September 2006, the FASB also issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. As a result, there is now a common definition of fair value to be used throughout generally accepted accounting principles. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. This Statement clarifies that the term fair value is intended to mean a market-based measure, not an entity-specific measure. In measuring fair value for a financial statement item, the Statement sets forth a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The highest priority is given to quoted prices in active markets and the lowest priority to unobservable inputs. Additional disclosure requirements will be required for the lowest priority level. The Statement became effective as of January 1, 2008. AgBank and its related Associations will not be significantly impacted with the adoption of this Statement.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, Fair Value Option for Financial Assets and Financial Liabilities. The Standard permits entities to choose on an instrument-by-instrument basis, at specified election dates, to measure financial assets and liabilities and other certain items at fair value (the “fair value option”). Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. AgBank and its related Associations have not made any elections under the fair value option, thus there is no impact of the adoption of the Standard. This Standard became effective with SFAS No. 157 on January 1, 2008.

A. Loans and Allowance for Loan Losses

Long-term real estate mortgage loans generally have original maturities ranging from 5 to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding less unearned income, unamortized premiums or discounts. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Loan origination fees and direct loan origination costs are generally capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan. Impaired loans include nonaccrual loans, restructured loans and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest, and penalty interest incurred is collected in full or otherwise discharged.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately collateralized and in the process of collection) or when circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) and/or included in the recorded nonaccrual balance (if accrued in prior years). Loans are charged-off, wholly or partially, as appropriate, at the time they are determined to be uncollectible.

When loans are in nonaccrual status, loan payments are generally applied against the recorded nonaccrual balance. A nonaccrual loan may, at times, be maintained on a cash basis. As a cash basis nonaccrual loan the recognition of interest income from cash payments received is allowed when the collectibility of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be returned to accrual status when all contractual principal and interest is current, prior charge-offs have been recovered in full, the ability of the borrower to fulfill the contractual repayment terms is fully expected and the loan is not classified Doubtful or Loss under the UCS classification system.

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, environmental conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty, imprecision and variability. Changes in the agricultural economy and environment and their impact on borrower repayment capacity will cause various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions’ expectations and predictions of those circumstances. Managements consider the following factors in determining and supporting the levels of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

A specific allowance may be established for impaired loans under SFAS No. 114. Impairment of these loans is measured by the present value of expected future cash flows discounted at the loan’s effective interest rate or, as practically expedient, by the loan’s observable market price, or fair value of the collateral, if the loan is collateral dependent.

B. Cash

Cash, as included in the combined financial statements, represents cash on hand and on deposit at financial institutions.

C. Investment Securities and Federal Funds

AgBank and Associations, as permitted under FCA regulations, hold eligible investments for purposes of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk. Investments for which the District has the intent and ability to hold to maturity are classified as investments held-to-maturity and are carried at cost, adjusted for unamortized premiums and discounts. The majority of the District's investments are available for liquidity or for the management of short-term funds and have been classified as available-for-sale. These investments are reported at fair value and any unrealized gains and losses are reported as a separate component of shareholders' equity (accumulated other comprehensive income (losses)). Premiums and discounts on purchases are amortized or accreted using the effective interest method over the term of the respective security. Realized gains and losses are recognized in current operations using the specific identification method for determining the cost basis to be used. All or a portion of the unrealized gain or loss of an available-for-sale security that is designated as a fair value hedged item must be recognized in earnings during the period.

AgBank and Associations may also hold additional investments in accordance with mission-related investment and other investment programs, approved by the FCA. These programs allow Banks and Associations to make investments that further the System's mission to serve rural America. Mortgage-backed securities issued by Farmer Mac are considered other investments. Mission-related and other investments are not included in AgBank's liquidity calculations and are not covered by the eligible investment limitations specified by FCA regulations. Mission-related investments for which AgBank and/or an Association has the intent and ability to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for the amortization of premiums and accretion of discounts. Farmer Mac investments are classified either as held-to-maturity or available-for-sale depending on AgBank's and/or Association's ability and intent to hold to maturity.

AgBank reviews all investments that are in a loss position in order to determine whether the unrealized loss, which is considered an impairment, is temporary or other-than-temporary. In the event of other-than-temporary impairment, the cost basis of the investment would be written down to its fair value, and the unrealized loss would be included in current earnings.

D. Other Property Owned

Other property owned, consisting of real and personal property acquired through collection actions, is recorded at fair value less estimated selling costs upon acquisition. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains/(losses) on other property owned in the combined statement of income.

E. Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is generally provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

F. Other Assets and Other Liabilities

Other assets are comprised primarily of investments in other System institutions, accounts receivable, deferred tax assets, nonqualified pension assets, and unamortized debt issuance costs. Significant components of other liabilities include pension and postretirement benefits liabilities, accounts payable and FCSIC premiums payable. The deferred tax assets and liabilities involve various management estimates and assumptions as to future taxable earnings. As of December 31, 2007, all differences net to an asset and are included in other assets.

G. Advanced Conditional Payments

AgBank and Associations are authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Unrestricted advanced conditional payments are included in other interest bearing liabilities.

Restricted advanced conditional payments are primarily associated with mortgage loans, while nonrestricted are primarily related to production and intermediate-term loans and insurance proceeds on mortgage loans. Advanced conditional payments are not insured. The Association generally pays interest on such accounts.

H. Employee Benefit Plans

The District currently has two defined benefit retirement plans and participates with Farm Credit System employers from other districts in a defined contribution retirement plan. Most District employees are covered under at least one of these plans.

Certain AgBank, Association, and AgVantis employees participate in the Ninth Farm Credit District Pension Plan (Ninth Pension Plan). The Ninth Pension Plan is a non-contributory defined benefit plan. Benefits are based on compensation and years of service. The Ninth Pension Plan was closed to new participants beginning January 1, 2007. During 2007, those participants who were entitled to benefits only under the Account Balance Provisions of the Ninth Pension Plan were spun off into a separate pension plan, the Ninth Farm Credit District Spinoff Pension Plan (Spinoff Pension Plan), which was then terminated. The accrued benefits for these participants will be distributed from the Spinoff Pension Plan and may be rolled over to the 401(k) Plan or to a qualified retirement plan or individual retirement account of the participant's choice.

Certain AgBank and Association employees participate in the Eleventh Farm Credit District Employees' Retirement Plan (Eleventh Retirement Plan). The Eleventh Retirement Plan is a non-contributory defined benefit plan. Benefits are based on compensation and years of service. The Eleventh Retirement Plan was closed to employees hired after December 31, 1997.

Additionally, employees are generally eligible to participate in the Farm Credit Foundations 401(k) Plan (Foundations 401(k) Plan). The Foundations 401(k) Plan has two components. First, eligible employees may receive benefits through the employer contributions to the Plan. The amount of employer contributions is based on the employee's compensation and varies depending on whether the employee is eligible to accrue benefits in either the Ninth Pension Plan or the Eleventh Retirement Plan. Second, eligible employees may elect to defer the receipt of a portion of their compensation by making a deferral election in accordance with the provisions of Section 401(k) of the Internal Revenue Code. AgBank, AgVantis and certain Associations match a certain percentage of employee contributions. All costs for the Foundations 401(k) Plan are expensed as funded.

AgBank, AgVantis and certain Associations also participate in the Farm Credit Foundations Retiree Medical Plan (Retiree Medical Plan). These postretirement benefits (other than pension) are provided to eligible retired employees of AgBank, AgVantis and certain Associations. The anticipated costs of these benefits were accrued during the period of the employee's active service. Prior to 2007, employees of the former Ninth District who were hired before 2004 could become eligible for employer subsidies under a predecessor plan to the Retiree Medical Plan. Beginning in 2007, the Retiree Medical Plan was amended to continue employer subsidized benefits only for current retirees. Accrued balances as of September 30 for eligible employees were converted to present value and an equivalent amount was contributed to the Ninth Pension Plan and/or Spinoff Pension Plan as an additional pension benefit.

I. Income Taxes

AgBank, FLCAs and FLCA subsidiaries of ACA parent companies are exempt from Federal and certain other income taxes as provided in the Farm Credit Act. The ACAs and their PCA subsidiaries provide for Federal and certain other income taxes and are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue Code.

Associations operating as cooperatives under Subchapter T of the Internal Revenue Code can exclude from taxable income amounts distributed as qualified patronage distributions in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage distributions. Certain Associations' deferred taxes are provided on a proportionate share of the Association's temporary differences based upon the amount of non-patronage and retained patronage income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent it is more likely than not (over 50 percent probability), based on management's estimate, the deferred tax asset will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of expected patronage programs which reduce taxable earnings.

Deferred income taxes have not been recorded by the taxable Associations on stock patronage distributions received from AgBank prior to January 1, 1993. Association managements' intent is to permanently invest these and other undistributed earnings in AgBank, or if converted to cash, to pass through any such earnings to Association borrowers through qualified patronage allocations.

Deferred income taxes have not been provided on AgBank's post-1992 earnings allocated to ACAs and their PCA subsidiaries to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on AgBank's post-1992 unallocated earnings. AgBank currently has no plans to distribute unallocated earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

J. Derivative Instruments and Hedging Activity

AgBank is party to derivative financial instruments which are used to manage interest rate risk on assets, liabilities and anticipated transactions. Derivatives are recorded at fair value and included in the combined statement of condition as derivative assets and derivative liabilities.

Changes in the fair value of derivatives are recorded in current period earnings or accumulated other comprehensive income (loss) depending on the use of the derivative and whether it qualifies for hedge accounting. For fair-value hedge transactions in which AgBank is hedging changes in the value of assets, liabilities, or firm commitments, changes in the fair value of the derivative are recorded in earnings and will generally be offset by changes in the hedged item's fair value. For cash flow hedge transactions, in which AgBank is hedging the variability of future cash flows or repricing of a variable-rate asset, liability or forecasted transaction, changes in the fair value of the derivative will generally be deferred and reported in accumulated other comprehensive income (loss). Gains and losses on derivative instruments, that are deferred and reported in accumulated other comprehensive income (loss), will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current-period earnings. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current-period earnings.

AgBank formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to (1) specific assets or liabilities on the combined statement of condition or (2) firm commitments or forecasted transactions. AgBank also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions have been highly effective in offsetting changes in interest rates or in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. AgBank uses regression analysis or other statistical analysis to assess the effectiveness of its hedges.

AgBank discontinues hedge accounting prospectively when it is determined that:

- a derivative is no longer effective in offsetting changes in the fair value of cash flows of a hedged item;
- the derivative expires or is sold, terminated, or exercised;
- it is no longer probable that the forecasted transaction will occur;
- a hedged firm commitment no longer meets the definition of a firm commitment; or
- management determines that designating the derivative as a hedging instrument is no longer appropriate.

When AgBank discontinues hedge accounting for cash flow hedges, any remaining accumulated other comprehensive income (loss) is amortized into earnings over the remaining life of the original hedged item unless the hedged item is gone in which case, any remaining other comprehensive income (loss) is immediately recognized in current earnings. When AgBank discontinues hedge accounting for fair value hedges, changes in the fair value of the derivative are recorded in current period earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, AgBank carries the derivative at its fair value on the combined statement of condition, recognizing changes in fair value in current-period earnings.

AgBank occasionally purchases a financial instrument in which a derivative instrument is "embedded." Upon purchase of the financial instrument, AgBank assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract, carried at fair value and designated as either a fair value or cash flow hedge. However, if the entire contract is required to be measured at fair value, with changes in fair value reported in current earnings, or if AgBank could not reliably identify and measure the embedded derivative for purposes of separating that derivative from its host contract, the entire contract would be carried on the balance sheet at fair value and not be designated as a hedging instrument.

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

	December 31		
	2007	2006	2005
Real estate mortgage	**$ 11,679,404**	$ 10,586,849	$ 10,503,841
Production and intermediate-term	**4,794,165**	4,300,217	4,031,297
Agribusiness:			
Loans to cooperatives	**455,047**	353,274	314,169
Processing and marketing	**1,794,363**	1,368,390	1,009,175
Farm related business	**567,918**	539,171	529,731
Communication	**95,944**	123,100	84,136
Energy	**139,334**	133,697	119,995
Water and waste disposal	**15,000**	8,489	-
Rural residential real estate	**52,421**	51,064	51,462
Lease receivables	**136,684**	134,184	94,786
OFIs	**25,400**	27,301	42,602
Total loans	**$ 19,755,680**	$ 17,625,736	$ 16,781,194

A significant source of liquidity for the District is the repayments and maturities of loans. The following table presents the contractual maturity distribution of loans by type at December 31, 2007. Approximately 19 percent of these loans had maturities of one year or less.

	Due in 1 year or less	Due in 1 through 5 years	Due after 5 years	Total
Real estate mortgage	$ -	$ -	$ 11,679,404	$11,679,404
Production and intermediate-term	2,386,227	1,833,349	574,589	4,794,165
Agribusiness:				
Loans to cooperatives	320,314	63,391	71,342	455,047
Processing and marketing	711,163	340,598	742,602	1,794,363
Farm related business	109,802	139,764	318,352	567,918
Communication	93,992	862	1,090	95,944
Energy	69,694	17,018	52,622	139,334
Water and waste disposal	-	-	15,000	15,000
Rural residential real estate	-	-	52,421	52,421
Lease receivables	135,437	-	1,247	136,684
OFIs	25,400	-	-	25,400
Total	$ 3,852,029	$ 2,394,982	$ 13,508,669	$19,755,680

The District's concentration of credit risk in various agricultural commodities is presented in the following table.

	December 31					
	2007		2006		2005	
Commodity/Primary Business	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Dairy farms	**$ 3,129,267**	**15.84%**	$ 2,995,831	17.00%	$ 2,738,616	16.32%
Cattle	**3,104,456**	**15.71**	2,718,742	15.42	2,672,439	15.93
Grapes	**1,322,493**	**6.69**	1,223,032	6.94	1,261,013	7.51
Tree nuts	**1,292,130**	**6.54**	1,131,762	6.42	1,030,946	6.14
Food products	**1,118,769**	**5.66**	876,094	4.97	681,010	4.06
Field crops	**1,094,410**	**5.54**	974,496	5.53	973,931	5.80
Fruits	**862,253**	**4.36**	777,286	4.41	801,185	4.77
Farm related business services	**769,817**	**3.90**	630,417	3.58	522,771	3.12
Vegetables	**747,005**	**3.78**	656,918	3.73	700,896	4.18
Other livestock	**695,169**	**3.52**	656,795	3.73	670,352	3.99
Wheat	**593,705**	**3.01**	613,451	3.48	642,157	3.83
Corn	**556,564**	**2.82**	564,897	3.20	571,448	3.41
Rural homes	**425,858**	**2.16**	316,682	1.80	315,634	1.88
Horticulture specialties	**413,530**	**2.09**	385,371	2.19	408,212	2.43
Logging and wood products	**408,133**	**2.07**	312,366	1.77	131,590	0.78
Cash grains	**346,356**	**1.75**	265,760	1.51	243,738	1.45
General farm	**325,708**	**1.65**	318,760	1.81	309,433	1.84
Forestry	**322,565**	**1.63**	192,361	1.09	164,847	0.98
Cotton	**273,600**	**1.38**	306,928	1.74	311,301	1.86
Rural utilities	**254,242**	**1.29**	282,018	1.60	227,388	1.36
Sugarcane, sugar beets and Irish potatoes	**247,361**	**1.25**	165,541	0.94	159,062	0.95
Farm supplies	**230,652**	**1.17**	157,822	0.90	117,839	0.70
Rice	**226,825**	**1.15**	229,013	1.30	232,796	1.39
Citrus fruits	**215,499**	**1.09**	199,475	1.13	221,178	1.32
Soybeans	**107,223**	**0.54**	105,815	0.60	101,498	0.60
Other	**672,090**	**3.41**	568,103	3.21	569,914	3.40
Total	**$19,755,680**	**100.00%**	$17,625,736	100.00%	$16,781,194	100.00%

While the percentages shown in the previous table represent the relative amounts of the District's potential credit risk as it relates to recorded loan principal, a substantial portion of the District's loans are collateralized. Accordingly, the District's exposure to credit loss associated with lending activities is considerably less than the recorded loan balances. An estimate of the current loss exposure is indicated in the combined financial statements in the allowance for loan losses.

Certain District Associations have obtained credit enhancements by entering into Standby Commitment to Purchase Agreements (Agreements) with the Federal Agricultural Mortgage Corporation (Farmer Mac), covering loans with principal balance outstanding of $465.8 million, $672.9 million and $947.5 billion at December 31, 2007, 2006 and 2005, respectively. Under the Agreements, Farmer Mac agrees to purchase loans from the Associations in the event of default (typically four months past due), subject to certain conditions, thereby mitigating the risk of loss from covered loans. In return, the Associations pay Farmer Mac commitment fees based on the outstanding balance of loans covered by the Agreements. Such fees, totaling $2.2 million for 2007, $4.1 million for 2006 and $4.8 million for 2005 are reflected in noninterest expense. Loans covered under these Agreements are considered non-adversely classified for purposes of reporting credit quality and receive favorable regulatory capital treatment.

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2007.

The following table presents information relating to impaired loans.

	December 31		
	2007	2006	2005
Nonaccrual Loans:			
Current as to principal and interest	**$ 30,467**	$ 34,456	$ 41,733
Past due	**47,015**	48,983	34,349
Total nonaccrual loans	**77,482**	83,439	76,082
Impaired Accrual Loans:			
Restructured accrual loans	**4,196**	4,337	6,383
Accrual loans 90 days or more past due	**3,721**	1,224	622
Total impaired accrual loans	**7,917**	5,561	7,005
Total impaired loans	**$ 85,399**	$ 89,000	$ 83,087

Interest income is recognized and cash payments are applied on nonaccrual impaired loans as described in Note 2. The following table presents interest income recognized on impaired loans.

	2007	2006	2005
Interest income recognized on:			
Nonaccrual loans	**$ 8,986**	$ 6,772	$ 10,340
Impaired accrual loans	**3,721**	3,515	4,075
Interest income recognized on impaired loans	**$ 12,707**	$ 10,287	$ 14,415

The following table presents additional information concerning impaired loans (including accrued interest) as of December 31.

	2007	2006	2005
Impaired loans with related allowance	**$ 9,905**	$ 3,191	$ 4,803
Impaired loans with no related allowance	**75,494**	85,809	78,284
Total impaired loans	**$ 85,399**	$ 89,000	$ 83,087
Allowance on impaired loans	**$ 4,163**	$ 1,246	$ 2,959
Average impaired loans	**$ 89,401**	$ 97,978	$ 109,913

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31, 2007 were as follows:

Interest income which would have been recognized under the original loan terms	**$ 14,900**
Less: interest income recognized	**11,569**
Foregone interest income	**$ 3,331**

A summary of changes in the allowance for loan losses follows:

	2007	2006	2005
Balance at beginning of year	**$ 64,637**	$ 65,309	$ 81,018
Charge-offs:			
Real estate mortgage	**101**	510	30
Production and intermediate-term	**1,915**	8,210	3,013
Agribusiness	**1,071**	1,693	4,066
Communication	**21**	-	-
Rural residential real estate	**-**	-	1
Lease receivables	**-**	-	6
Total charge-offs	**3,108**	10,413	7,116
Recoveries:			
Real estate mortgage	**33**	88	123
Production and intermediate-term	**535**	694	1,056
Agribusiness	**484**	1,424	16
Communication	**-**	-	36
Energy	**-**	-	341
Rural residential real estate	**-**	19	-
Total recoveries	**1,052**	2,225	1,572
Net charge-offs	**2,056**	8,188	5,544
Provision for loan losses/(Loan loss reversals)	**3,583**	7,516	(10,165)
Balance at end of year	**$ 66,164**	$ 64,637	$ 65,309
Ratio of net charge-offs during the period to average net loans outstanding during the period	**0.01%**	0.05%	0.04%

A breakdown of the amount of the allowance for loan losses by type of loan and the percent of total allowance as of December 31 for the last three fiscal years follows:

	2007		2006		2005	
	Amount	**Percent**	Amount	Percent	Amount	Percent
Real estate mortgage	**$ 18,396**	**27.80%**	$ 21,552	33.35%	$ 22,854	35.00%
Production and intermediate-term	**33,858**	**51.17**	30,521	47.22	29,868	45.73
Agribusiness	**12,330**	**18.64**	9,937	15.37	10,623	16.27
Communication	**192**	**0.29**	804	1.24	150	0.23
Energy	**229**	**0.35**	325	0.50	523	0.80
Water and waste disposal	**3**	**-**	2	-	-	-
Rural residential real estate	**80**	**0.12**	119	0.19	87	0.13
Lease receivables	**1,076**	**1.63**	1,377	2.13	1,204	1.84
Total	**$ 66,164**	**100.00%**	$ 64,637	100.00%	$ 65,309	100.00%

NOTE 4 - INVESTMENT SECURITIES

As discussed in Note 2, the investment portfolio consists of eligible investments and mission-related and other investments having two components: the available-for-sale portfolio and the held-to-maturity portfolio. A summary of the amortized cost, fair value and weighted average yield of available-for-sale eligible investment securities, which excludes mission-related and other investments, follows:

	December 31, 2007				
	Amortized	**Gross Unrealized**		**Fair**	**Weighted**
	Cost	**Gains**	**Losses**	**Value**	**Average Yield**
Mortgage-backed securities	**$ 4,674,824**	**$12,660**	**$ 59,046**	**$ 4,628,438**	**5.35%**
Asset-backed securities	**376,572**	**-**	**21,524**	**355,048**	**5.13%**
Total	**$ 5,051,396**	**$12,660**	**$ 80,570**	**$ 4,983,486**	**5.34%**

	December 31, 2006				
	Amortized	Gross Unrealized		Fair	Weighted
	Cost	Gains	Losses	Value	Average Yield
Mortgage-backed securities	$ 3,253,446	$ 4,561	$ 34,032	$ 3,223,975	5.08%
Asset-backed securities	604,741	411	21	605,131	5.63%
Total	$ 3,858,187	$ 4,972	$ 34,053	$ 3,829,106	5.17%

	December 31, 2005				
	Amortized	Gross Unrealized		Fair	Weighted
	Cost	Gains	Losses	Value	Average Yield
Mortgage-backed securities	$ 2,887,827	$ 2,145	$ 34,709	$ 2,855,263	4.35%
Asset-backed securities	651,878	304	37	652,145	4.65%
Total	$ 3,539,705	$ 2,449	$ 34,746	$ 3,507,408	4.40%

The following table is a summary by contractual maturity of the fair value, amortized cost and weighted average yield of available-for-sale eligible investments at December 31, 2007.

	Due after 1 year through 5 years		Due after 5 years through 10 years		Due after 10 years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Mortgage-backed securities	$ 4,331	2.65%	$ 360,977	4.94%	$ 4,263,130	5.39%	$ 4,628,438	5.35%
Asset-backed securities	79,540	4.97%	49,605	5.09%	225,903	5.20%	355,048	5.13%
Total fair value	$ 83,871	4.85%	$ 410,582	4.96%	$ 4,489,033	5.38%	$ 4,983,486	5.34%
Total amortized cost	$ 84,354		$ 410,905		$ 4,556,137		$ 5,051,396	

Substantially all mortgage-backed securities have contractual maturities in excess of ten years. However, expected maturities for mortgage-backed securities will differ from contractual maturities because borrowers may have the right to prepay obligations with or without reinvestment fees. Asset-backed securities can also perform similarly to mortgage-backed securities.

AgBank and its related Associations also hold mission-related and other investments. The FCA approves mission-related programs and mission-related investments. The following is a summary of mission-related and other investments that are available-for-sale:

	December 31, 2007				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$ 637,579**	**$ 7,314**	**$ -**	**$ 644,893**	**5.15%**

	December 31, 2006				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$ 768,422	$ 3,334	$ 488	$ 771,268	5.21%

	December 31, 2005				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$ 300,261	$ -	$ 601	$ 299,660	6.53%

The following is a summary of the mission-related and other investments which are held-to-maturity.

	December 31, 2007				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$ 515,504**	**$15,665**	**$ -**	**$ 531,169**	**5.35%**
Asset-backed and other securities	**8,433**	**92**	**-**	**8,525**	**9.29%**
Total	**$ 523,937**	**$15,757**	**$ -**	**$ 539,694**	**5.42%**

	December 31, 2006				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$ 313,474	$ 2,636	$ -	$ 316,110	5.60%

	December 31, 2005				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$ 207,938	$ 1,725	$ -	$ 209,663	5.61%

All the mission-related and other investments have a contractual maturity greater than 10 years.

The following table shows the District's total investments, fair value, and gross unrealized losses, aggregated by investment category and length of time that the securities have been in a continuous unrealized loss position at December 31, 2007. The continuous loss position is based on the date when the unrealized loss was first identified.

	Less than 12 months		Greater than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$ 2,205,938	$ 26,323	$ 861,024	$ 32,723
Asset-backed securities	353,943	21,524	1,105	-
Total	$ 2,559,881	$ 47,847	$ 862,129	$ 32,723

The investments continued to be AAA rated and met all applicable regulatory standards as of December 31, 2007. The unrealized loss positions result from changes in interest rates as well as lack of liquidity in the marketplace and were not due to credit deterioration. AgBank and its related Associations have the ability and intent to hold these investments for a period of time sufficient to collect all amounts due according to the contractual terms of the investments, and thus the losses are not considered to be other-than-temporarily impaired at December 31, 2007.

AgBank investments with an estimated fair value of $12.0 million, $12.3 million and $12.1 million at December 31, 2007, 2006 and 2005, respectively, were pledged as collateral for funding of the Kansas Agricultural Production Loan Deposit Program utilized by Associations.

During the years presented, there were no sales of investment securities.

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment consisted of the following:

	December 31		
	2007	2006	2005
Land	**$ 19,451**	$ 14,056	$ 14,052
Buildings and improvements	**93,476**	83,560	77,823
Furniture and equipment	**51,306**	48,937	45,403
Construction in progress	**7,831**	6,391	3,603
	172,064	152,944	140,881
Less: accumulated depreciation	**66,074**	61,768	58,471
Total premises and equipment	**$ 105,990**	$ 91,176	$ 82,410

AgBank and Associations own land and buildings throughout the District, in numerous headquarters and branch locations, with an aggregate net book value of $82.8 million. These properties are, for the most part, small and mid-sized office structures which are generally typical of property in the local area. The largest building owned in the District is AgBank's headquarters location in Wichita, Kansas, with a net book value of $7.0 million. This facility is occupied by management and staff of AgBank and AgVantis, with the majority of the space leased to various unrelated tenants. In addition to owned property, AgBank and Associations have certain office space leases.

NOTE 6 - OTHER ASSETS AND OTHER LIABILITIES

A summary of other assets and other liabilities follows:

	December 31		
	2007	2006	2005
Other assets:			
Deferred tax assets, net	**$ 538**	$ 2,037	$ 1,185
Investments in other System institutions	**25,132**	22,822	21,094
Prepaid benefit costs	**-**	19,688	21,547
Equipment held for lease	**8,823**	11,089	14,017
Accounts receivable	**24,536**	18,366	10,415
Prepaid income taxes	**226**	1,667	1,042
Prepaid expenses	**4,567**	5,230	4,084
Trust assets - nonqualified retirement plans	**22,452**	15,944	11,351
Unamortized debt issue costs	**11,467**	8,079	7,311
Other	**2,220**	3,201	1,597
Total	**$ 99,961**	$108,123	$ 93,643
Other liabilities:			
Accrued taxes payable	**$ 599**	$ 647	$ 415
Pension and other postretirement benefit liabilities	**70,322**	32,529	27,550
Minimum pension liability	**-**	14,483	25,941
FCSIC premiums payable	**27,119**	24,962	7,917
Dividends payable	**6,875**	1	1
Accounts payable	**57,289**	61,160	27,976
Other	**54,012**	42,292	36,562
Total	**$ 216,216**	$176,074	$126,362

Note 7 - Bonds and Notes

The System, unlike commercial banks and other depository institutions, obtains funding for its lending operations primarily from the sale of Systemwide Debt Securities issued by System banks through the Funding Corporation. Systemwide bonds, medium-term notes, master notes, discount notes and global debt securities (Systemwide Debt Securities) are the joint and several obligations of the System Banks.

Certain conditions must be met before AgBank can participate in the issuance of Systemwide Debt Securities. As one condition of participation, AgBank is required by the Farm Credit Act and FCA regulations to maintain specified eligible assets at least equal in value to the total amount of debt obligations outstanding for which it is primarily liable. This requirement does not provide holders of Systemwide Debt Securities with a security interest in any assets of the System Banks. The System Banks and the Funding Corporation have entered into the Market Access Agreement, which establishes criteria and procedures for the Banks to provide certain information to the Funding Corporation and, under certain circumstances, for restricting or prohibiting an individual bank's participation in Systemwide Debt issuances, thereby reducing other System Banks' exposure to statutory joint and several liability. At December 31, 2007, AgBank was and currently remains in compliance with the conditions of participation for the issuances of Systemwide Debt Securities.

Each issuance of Systemwide Debt Securities ranks equally, in accordance with the FCA regulations, with other unsecured Systemwide Debt Securities. Systemwide Debt Securities are not issued under an indenture and no trustee is provided with respect to these securities. Systemwide Debt Securities are not subject to acceleration prior to maturity upon the occurrence of any default or similar event.

The System may issue the following types of Systemwide Debt Securities:

- Federal Farm Credit Banks Consolidated Systemwide Bonds,
- Federal Farm Credit Banks Consolidated Systemwide Discount Notes,
- Federal Farm Credit Banks Consolidated Systemwide Master Notes, and
- any other debt securities that the System banks may jointly issue from time to time.

For a discussion of the various risks, tax and other considerations, and terms and conditions related to each of these types of securities, see the discussions in the following offering circulars (available on the Funding Corporation's Website located at www.farmcredit-ffcb.com), as applicable:

- Federal Farm Credit Banks Consolidated Systemwide Bonds, and Discount Notes Offering Circular dated June 18, 1999, as amended by the supplements dated August 20, 2001, November 26, 2003, and March 8, 2007, and
- Federal Farm Credit Banks Consolidated Systemwide Master Notes Offering Circular dated December 21, 1999, as amended by the supplement dated August 20, 2001.

Each of these offering circulars may be further amended or supplemented from time to time. In addition, the Banks may in the future offer new types of Systemwide Debt Securities; the offering of any such securities will be pursuant to additional offering circulars.

AgBank's participation in Systemwide Debt Securities as of December 31, 2007 follows:

	Bonds		Medium-term notes		Discount notes		Total	
Year of maturity	Amount	Weighted average interest rate	Amount	Weighted average interest rate	Amount	Weighted average interest rate	Amount	Weighted average interest rate
2008	$ 4,379,788	4.53%	$209,096	5.31%	$ 3,240,389	4.16%	$ 7,829,273	4.40%
2009	3,447,392	4.66%	69,982	6.28%	-	-	3,517,374	4.70%
2010	2,471,679	4.80%	15,000	7.04%	-	-	2,486,679	4.81%
2011	843,216	4.95%	10,338	5.54%	-	-	853,554	4.96%
2012	1,536,259	4.99%	-	-	-	-	1,536,259	4.99%
2013 and thereafter	4,840,213	5.33%	40,378	5.47%	-	-	4,880,591	5.33%
Total	$17,518,547	4.88%	$344,794	5.61%	$ 3,240,389	4.16%	$21,103,730	4.78%

In the preceding table, weighted average interest rates include the effect of related derivative financial instruments.

The average balance of Systemwide Debt Securities was $19.39 billion in 2007, $17.17 billion in 2006 and $15.62 billion in 2005.

Discount notes are issued with maturities ranging from 1 day to 365 days. The average remaining maturity of discount notes held at December 31, 2007 was 32 days.

Systemwide Debt includes callable debt consisting of the following:

Year of Maturity	Maturing Amount	Range of Call Dates
2008	$4,386,948	01/01/08 - 12/18/08
2009	1,150,000	01/01/08 - 12/30/09
2010	445,000	01/01/08 - 12/17/10
2011	20,000	01/01/08 - 11/17/11
2012 and thereafter	180,000	01/01/08 - 08/16/13
Total	$6,181,948	

Callable debt may be called on the first call date and, generally, on each business day thereafter.

AgBank was party to interest rate cap and swap agreements with a total notional value of $4.35 billion at December 31, 2007, $5.56 billion at December 31, 2006 and $6.21 billion at December 31, 2005. The interest rate caps were purchased to minimize the impact of rising interest rates on short-term liabilities and correspondingly prevent a reduction in interest rate spread relative to certain loans. The effect of these caps is reflected in the weighted average interest rates in a previous table. In addition, interest rate swaps were executed to convert a fixed rate to a floating rate and are also reflected in the weighted average interest rates.

As described in Note 1, the Insurance Fund is available to ensure the timely payment of principal and interest on Systemwide Debt Securities (insured debt) of System Banks to the extent net assets are available in the Insurance Fund and not designated for specific use. All other liabilities in the combined financial statements are uninsured. At December 31, 2007, the assets of the Insurance Fund aggregated $2.60 billion; however, due to the other authorized uses of the Insurance Fund there is no assurance that the amounts in the Insurance Fund will be sufficient to fund the timely payment of principal, or interest on, an insured debt obligation in the event of a default by any System bank having primary liability thereon.

Included in other bonds and notes, the District recorded a $300.0 million note payable to another System Bank for the sale by AgBank of a participation of wholesale loan volume. Funds held for borrowers of $301.3 million were also included in other bonds and notes.

NOTE 8 - SHAREHOLDERS' EQUITY

Descriptions of AgBank's and Associations' capitalization, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

Protected Stock

Protection of certain stock is provided under the Farm Credit Act which requires AgBank and Associations, when retiring protected stock, to retire such stock at par or stated value regardless of its book value. Protected stock includes stock and allocated equities which were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If a Bank or an Association is unable to retire protected stock at par value or stated value, amounts required to retire this stock would be obtained from the Insurance Fund.

Stock and Participation Certificates

In accordance with the Farm Credit Act, each borrower is required to invest in their respective association as a condition of borrowing. The borrower normally acquires ownership of the stock or participation certificates at the time the loan is made, but usually does not make a cash investment. Generally, the aggregate par value of the stock is added to the principal amount of the related loan obligation. AgBank and Associations have a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

Certain Associations require stock for each borrower loan while other Associations require stock for each borrower. The initial investment requirement varies by Association and ranges from the statutory minimum of two percent of the loan amount or one thousand dollars, whichever is less, to three percent of the loan. Each Association's Board of Directors may modify the investment requirement, as permitted within its capitalization bylaws, to meet the Association's capital needs.

Preferred Stock

AgBank and certain Associations have approval to issue preferred stock. For AgBank, preferred stock is issued only to qualified investors outside District institutions; whereas for Associations, preferred stock is limited to existing common stock shareholders.

Description of Equities

Provided below is a description of each class of Association and AgBank stock:

Associations: Seventeen Associations issue voting Class B Stock, nonvoting Class C Stock, nonvoting Class D Stock, and preferred Class H Stock in such amounts as may be necessary to conduct its business. Class F Stock and Class G Stock are protected classes of stock which are no longer issued. The following table includes further information related to the classes of stock outstanding for these Associations as of December 31, 2007.

	Par Value	Number of Shares	Aggregate Par Value ($ in thousands)
Class B	$5.00	4,651,098	$ 23,255
Class C	$5.00	535,204	$ 2,676
Class D	$5.00	600	$ 3
Class F	$5.00	121,101	$ 606
Class G	$5.00	24,843	$ 124
Class H	$0.01	1,196,402,786	$ 11,964

Twelve Associations issue voting Class A and Class C Stock for mortgage and agricultural loans, non-voting Class F participation certificates for rural residence or farm-related business loans and preferred Class H Stock in such amounts as may be necessary to conduct business. The following table includes further information related to the classes of stock outstanding for these Associations.

	Par Value	Number of Shares	Aggregate Par Value ($ in thousands)
Class A	$5.00	51	$ -
Class C	$5.00	4,029,725	$ 20,149
Class F	$5.00	302,993	$ 1,515
Class H	$1.00	188,090,313	$ 188,090

All Associations have the authority to issue other classes of stock, no shares of which are outstanding as of December 31, 2007.

The bylaws of each Association permits stock and participation certificates to be retired at the discretion of the board of directors in accordance with the Association's capitalization plan. Each holder of voting common stock is entitled to a single vote in matters impacting the Association. The eligibility to exercise the right to vote is dependent upon factors such as the organizational structure of the borrower and interrelationships of borrowers with more than one loan.

As determined by the Associations' boards of directors, dividends may be declared in stock and/or cash; and patronage distributions may be made in the form of stock, cash, qualified and/or nonqualified notices of allocation. Net income distributions may be made only when the Association meets capital adequacy standards under FCA regulations and no class of stock is impaired.

Generally, in the event of liquidation or dissolution of an Association, any assets of the Association remaining after payment or retirement of all liabilities shall be distributed to retire stock in the following order of priority: first, pro rata to all classes of preferred stock; second, pro rata to all classes of common stock and participation certificates; third, to the holders of allocated surplus evidenced by qualified written notices of allocation, in order of year of issuance and pro rata by year of issuance; fourth, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance. Any remaining assets of the Association after such distributions shall be distributed to present and former patrons on a patronage basis, to the extent practicable. Additional details and individual association differences may be found in the individual Association annual reports.

Losses which result in impairment of stock would first impair all classes of common stock and participation certificates, if any, on a pro rata basis until fully impaired, then all classes of preferred stock on a pro rata basis until fully impaired.

AgBank: Associations are required to invest in the capital stock of AgBank. In addition, AgBank has allocated, but not distributed, a portion of its retained earnings to the Associations. These intercompany balances and transactions are eliminated in combination.

AgBank is authorized to issue and have outstanding the following classes of capital stock:

Class A Common Stock	-	Par value of $5.00 per share, voting stock issued solely to and held solely by Associations;
Class B Common Stock	-	Par value of $5.00 per share, non-voting stock issued solely to and held solely by OFIs, in support of their borrowing relationship with AgBank;
Class C Common Stock	-	Par value of $5.00 per share, non-voting stock issued to System institutions in connection with loans or loan participations in which AgBank stock issuance is required;
Class A Preferred Stock	-	Par value of $1 thousand per share, non-voting Class A Perpetual Non-Cumulative Fixed-to-Floating Rate Preferred Stock, Series 1 issued to qualified institutional borrowers in minimum amounts of $250 thousand; and,
Class D Preferred Stock	-	Par value of $5.00 per share, non-voting stock issued in exchange for the Class A Common Stock of an Association that reaffiliates to another Farm Credit Bank or terminates its System status, or to any person or legal entity who purchases such stock as an at-risk equity investment in AgBank.

AgBank makes loans to Associations, which are generally referred to as wholesale loan volume. Each Association is required to own and maintain an investment in AgBank equities equal to 5.00 percent of its wholesale loan volume (the “Required Investment”).

AgBank equities include stock, whether purchased or received in a patronage refund, and attributed surplus. Surplus may be attributed to Associations under provisions of the AgBank bylaws. Attributed surplus does not represent a class of stock or other ownership interest. The Required Investment is measured on the first day of each calendar quarter with reference to the Association’s average quarterly wholesale loan volume, and after taking into account the prior quarter’s patronage. On the first day of each calendar quarter, if, and to the extent an Association’s investment in AgBank equities falls below the Required Investment (a “Shortfall”), then the Association is required to purchase additional Class A Common Stock in an amount necessary to eliminate the Shortfall.

If an Association has a Shortfall due to an AgBank loss that is not, in whole or in part, attributable to the Association’s wholesale loan, then the Association’s investment may be increased by up to 1.00 percent of the Association’s average wholesale loan volume in any 12-month period. For purposes of clarification, references to wholesale loan volume means an Association’s average daily outstanding loan balance owed to AgBank for the specified period, minus any average daily excess investment for such period.

On the first day of each calendar quarter, the amount by which an Association’s investment in AgBank equities exceeds the Required Investment is referred to as an “Excess Investment.” Except in specific instances, any excess patronage-based stock investment in AgBank will be counted by Associations as permanent capital, as per the Permanent Capital Counting Agreements with Associations. For purposes of clarification, references to Association include an ACA and its subsidiaries on a combined basis, which together shall represent one Association, or an FLCA.

At December 31, 2007, AgBank had $554.9 million (110,971,627 shares) of Class A Stock and $1 thousand (200 shares) of Class B Stock, $1 thousand (200 shares) of Class C Stock and $225.0 million of Class A Preferred Stock (225,000 shares) outstanding. No other classes or types of stock were outstanding for AgBank at year-end.

AgBank's patronage program continued during 2007. AgBank distributed a cash patronage of $87.0 million during 2007, $57.7 million during 2006 and $50.6 million during 2005, to all Associations. Beginning in 2007, all patronage was paid in cash. In 2006 and 2005 certain Associations received a stock patronage which totaled $19.1 million and $15.3 million, respectively. The patronage distributed to the Associations is eliminated in combination.

At the inception of each OFI loan, AgBank requires OFIs to make cash purchases of stock in AgBank. AgBank has a first lien on these equities for the repayment of any indebtedness to AgBank. At December 31, 2007, AgBank had $1 thousand (200 shares) of stock outstanding to OFIs at a par value of $5.00 per share.

In March 2007, AgBank issued $225.0 million of perpetual non-cumulative fixed-to-floating preferred stock at a par value of $1 thousand per share. Dividends are declared at the sole discretion of the Board of Directors. Dividends are non-cumulative and will be paid semi-annually on the 10th day of January and July commencing July 10, 2007 and ending on July 10, 2012, at an annual rate of 6.11 percent during the fixed period; and quarterly on the 10th day of January, April, July and October beginning October 10, 2012 at annual rate equal to 3-Month USD LIBOR plus 1.18 percent. On the payment date in July 2012 or on each fifth anniversary thereafter, AgBank may, at its option, redeem the preferred stock in whole or in part at the redemption price of $1 thousand per share, plus accrued and unpaid dividends for the then current dividend period to the redemption date. Upon the occurrence of a regulatory event, which would eliminate AgBank's ability to use the preferred stock to satisfy applicable minimum capital adequacy, surplus or collateral requirements, AgBank may redeem the preferred stock in whole, but not in part. The funds were used for general corporate purposes and to reduce the Associations' required investment in AgBank by 1.25 percent. During 2007, AgBank declared $11.1 million of preferred stock dividends and paid preferred stock dividends of $4.2 million.

Other Equity: Each customer of AgVantis is required to invest in stock of AgVantis. As of year-end 2007, AgVantis recorded $670 thousand in total stock outstanding, $30 thousand in Class A Stock from each of the nineteen Association customers and $100 thousand in Class B Stock from AgBank. The AgBank and Association stock is eliminated in combination.

During 2007, AgBank loaned funds to AgVantis. At December 31, 2007, AgBank had $1 thousand (200 shares) of stock outstanding to AgVantis at a par value of $5.00 per share. This is eliminated in combination.

Other Comprehensive Income/Loss

An additional component of shareholders' equity is accumulated other comprehensive income/(loss), which is reported net of taxes as follows:

	2007	2006	2005
Unrealized losses on investments held available-for-sale	**$ (60,850)**	$ (26,542)	$ (33,470)
Unrealized losses on cash flow hedges	**(12,799)**	(14,454)	(23,563)
Minimum pension liability	**-**	(14,483)	(25,941)
Minimum pension liability - tax	**-**	194	1,015
Pension adjustment related to SFAS No. 158	**(53,899)**	-	-
Total accumulated other comprehensive income/(loss)	**$ (127,548)**	$ (55,285)	$ (81,959)

The following table details activity in other accumulated comprehensive income/(loss).

	For the Year Ended December 31		
	2007	2006	2005
Beginning Balance	**$ (55,285)**	$ (81,959)	$ (75,256)
Unrealized holding losses on AFS investments	**(34,308)**	6,928	(12,240)
Unrealized holding losses on cash flow derivatives	**(2,698)**	(2,435)	(1,351)
Reclassification to earnings related to cash flow hedges	**4,354**	11,544	13,555
Minimum pension liability	**5,727**	11,458	(6,762)
Minimum pension liability - tax	**(194)**	(821)	95
Adjustment to initially apply SFAS No. 158	**(45,144)**	-	-
Ending Balance	**$ (127,548)**	$ (55,285)	$ (81,959)

For further information on the minimum pension liability and the adjustment to initially apply SFAS No. 158 included in the previous table, refer to Note 10 Employee Benefit Plans.

Regulatory Capitalization Requirements and Restrictions

The FCA's capital adequacy regulations require AgBank and Associations to maintain permanent capital of 7.00 percent of average risk-adjusted assets. Failure to meet the requirement can initiate certain mandatory and possibly additional discretionary actions by the FCA that, if undertaken, could have a direct material effect on AgBank's or Associations' financial statements. AgBank and Associations are prohibited from reducing permanent capital by retiring stock or making certain other distributions to shareholders unless the prescribed capital standard is met. The FCA regulations also require other additional minimum standards for capital be maintained. These standards require all System institutions to achieve and maintain ratios of total surplus as a percentage of average risk-adjusted assets of 7.00 percent and of core surplus (generally unallocated surplus) as a percentage of average risk-adjusted assets of 3.50 percent.

The following table presents capital ratios for AgBank and the range of ratios and weighted averages for the District Associations at December 31, 2007.

	Permanent Capital Ratio	Core Surplus Ratio	Total Surplus Ratio
AgBank	20.68%	14.17%	17.52%
Associations	11.56% - 30.90%	10.69% - 29.20%	11.32% - 30.18%
Association weighted average	17.30%	15.02%	15.97%
Regulatory minimum	7.00%	3.50%	7.00%

In addition, AgBank is required by regulation to achieve and maintain a net collateral ratio of 103.00 percent of total liabilities. At December 31, 2007, AgBank's net collateral ratio was 105.03 percent. All District institutions exceed the regulatory minimum standards for capital and collateral at December 31, 2007.

An existing regulation empowers FCA to direct a transfer of funds or equities from one or more System institution to another System institution under specified circumstances. This regulation has not been utilized to date. AgBank and Associations have not been called upon to initiate any transfers and are not aware of any proposed action under this regulation.

NOTE 9 - INCOME TAXES

The provision for/(benefit from) income taxes follows:

	For the Year Ended December 31		
	2007	2006	2005
Current:			
Federal	**$ 2,177**	$ 1,219	$ 3,025
State	**70**	27	73
Deferred:			
Federal	**1,255**	(1,756)	(65)
State	**50**	83	(39)
Total provision for/(benefit from) income taxes	**$ 3,552**	$ (427)	$ 2,994

The difference in the statutory tax rate and the effective tax rate is primarily due to the tax exemption of AgBank and FLCA earnings. The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income presented as follows:

	For the Year Ended December 31		
	2007	2006	2005
Federal tax at statutory rate	**$ 144,177**	$ 118,349	$ 113,424
State tax, net	**83**	75	16
Effect of nontaxable entities	**(127,634)**	(103,895)	(99,111)
Bank stock patronage income	**-**	(4,089)	(3,440)
Patronage distributions	**(14,203)**	(10,412)	(9,147)
Impact of future anticipated patronage allocations	**-**	-	320
Other	**1,129**	(455)	932
Provision for/(Benefit from) income taxes	**$ 3,552**	$ (427)	$ 2,994

Deferred tax assets and liabilities are comprised of the following:

	December 31		
	2007	2006	2005
Deferred tax assets:			
Allowance for loan losses	**$ 13,554**	$ 12,496	$ 11,401
Nonaccrual loan interest	**1,495**	2,288	1,328
Annual leave	**60**	37	26
Depreciation	**582**	624	-
Loss carryforwards	**12,041**	10,627	9,063
Employee benefit plan obligations	**455**	599	2,053
Other	**1,790**	1,855	1,770
Gross deferred tax assets	**29,977**	28,526	25,641
Less: Valuation allowance	**(15,280)**	(13,350)	(9,875)
Deferred tax assets, net of valuation allowance	**14,697**	15,176	15,766
Deferred tax liabilities:			
Bank patronage to Associations	**(9,398)**	(9,371)	(7,033)
Depreciation	**-**	-	(739)
Other	**(4,761)**	(3,768)	(6,809)
Gross deferred tax liabilities	**(14,159)**	(13,139)	(14,581)
Net deferred tax assets	**$ 538**	$ 2,037	$ 1,185

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained for those Associations operating as Subchapter T cooperatives. The expected future tax rates are based upon enacted tax laws.

District Associations and AgVantis recorded valuation allowances totaling $15.3 million, $13.4 million and $9.9 million during 2007, 2006 and 2005, respectively. Management will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

AgBank and its related Associations adopted FIN 48 on January 1, 2007 and determined that interest and penalties would be classified as a component of income taxes. No adjustments to the deferred tax assets or tax liabilities were necessary as a result of this adoption or for the year ended December 31, 2007. The tax years that remain open for federal and major state income tax jurisdictions are 2004 and forward.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The District participates in two defined benefit retirement plans: the Ninth Farm Credit District Pension Plan (Ninth Pension Plan) and the Eleventh Farm Credit District Employees' Retirement Plan (Eleventh Retirement Plan). It also participates with Farm Credit System employers from other districts in the Farm Credit Foundations 401(k) Plan (Foundations 401(k) Plan). Most District employees are eligible to participate in at least one of these plans. Certain individuals may participate in a nonqualified pension restoration plan in addition to the pension or retirement plans. For postretirement welfare benefits other than pension, the District participates along with other Farm Credit System employers in the Farm Credit Foundations Retiree Medical Plan (Retiree Medical Plan). During 2006, all District entities agreed to delegate the authority over employee benefit plans to a common Plan Sponsor Committee as part of a human resource consolidation project with certain other Farm Credit System entities which formed Farm Credit Foundations.

On December 31, 2007, the District entities adopted SFAS No. 158, which requires the recognition of the overfunded or underfunded status of a defined benefit plan as an asset or liability with an offsetting adjustment to accumulated other comprehensive income. SFAS No 158 requires the determination of the fair values of a plan's assets at year-end and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of comprehensive income. These amounts will be subsequently recognized as components of net periodic benefit costs. Further, actuarial gains and losses that arise in subsequent periods that are not initially recognized as a component of net periodic benefit costs will be recognized as a component of comprehensive income. Those amounts will be subsequently recognized as a component of net periodic benefit costs as they are amortized during future periods. For 2006 and 2005, FASB Statement

No. 87, "Employers' Accounting for Pensions", required an employer to recognize a liability in its statement of condition that was at least equal to the unfunded accumulated benefit obligation for defined benefit pension plans.

SFAS No. 158 also requires that the funded status of a plan be measured as of the date of the fiscal year-end for years ending after December 15, 2008. For AgBank and its related Associations, the current measurement date of September 30 will be changed to December 31 beginning in 2008.

AgBank, AgVantis and certain Associations participate in the Ninth Pension Plan. The Ninth Pension Plan is noncontributory and covers certain employees of AgBank, AgVantis and the former Ninth District Associations. Benefits are based on compensation and years of service. The Ninth Pension Plan was closed to new participants beginning January 1, 2007. During 2007 those participants who were entitled to benefits only under the Account Balance Provisions of the Ninth Pension Plan were spun off into a separate pension plan, the Spinoff Pension Plan, which was then terminated. The accrued benefits for these participants will be distributed from the Spinoff Pension Plan and may be transferred to the Foundations 401(k) Plan or to another qualified plan or individual retirement plan of the participant's choice.

AgBank and certain District Associations participate in the Eleventh Retirement Plan. The Eleventh Retirement Plan is noncontributory and covers certain employees of the former Eleventh District Associations and some AgBank employees. Benefits are based on compensation and years of service. The Eleventh Retirement Plan was closed to new employees hired after December 31, 1997. Employees in the former Eleventh District hired on or after January 1, 1998 are only eligible to participate in the Foundations 401(k) Plan.

AgBank, AgVantis and certain Associations also offer health care and other postretirement benefits to eligible retired employees through the Retiree Medical Plan. These plans are contributory and noncontributory. The anticipated costs of these benefits were accrued during the period of the employee's active service. Prior to 2007, employees of the former Ninth District who were hired before 2004 could become eligible for employer subsidies under a predecessor plan to the Retiree Medical Plan. Beginning in 2007, the Retiree Medical Plan was amended to continue employer subsidized benefits only for current retirees. Accrued balances as of September 30 for eligible employees were converted to present value and an equivalent amount was contributed to the Ninth Pension Plan and/or Spinoff Pension Plan as an additional pension benefit.

The incremental effects of adopting the provisions of SFAS No. 158 on the District combined statement of condition at December 31, 2007 are presented in the following table. The adoption of SFAS No. 158 had no effect on the combined statement of income for the year ended December 31, 2007 or for any year presented.

	Before application of SFAS No. 158	Adjustments	After application of SFAS No. 158
Other assets	$ 13,752	$ (13,752)	$ -
Other liabilities	$ 38,930	$ 31,392	$ 70,322
Accumulated other comprehensive income/(loss), net of tax	$ (8,755)	$ (45,144)	$ (53,899)

The estimated net actuarial loss, prior service credits and gains on transition assets for the pension plan that will be amortized into income during 2008 are $4.0 million, $256 thousand and $316 thousand, respectively. Also amortized into income will be $40 thousand of gains on prior service costs and $8 thousand of gains on transition assets related to other benefits.
The funding status and the amounts recognized in the combined statement of condition for the Ninth Pension Plan and Eleventh Retirement Plan including the nonqualified pension restoration plan and Retiree Medical Plan follow:

	Pension Benefits			Other Benefits		
	2007	2006	2005	**2007**	2006	2005
Change in benefit obligation						
Benefit obligation at the beginning of the period	**$ 312,245**	$320,390	$ 277,251	**$ 15,400**	$ 16,509	$ 14,736
Service cost	**8,279**	8,565	7,536	**384**	420	374
Interest cost	**18,265**	16,273	16,366	**900**	848	868
Plan amendments	**6,017**	-	(9,242)	**-**	-	-
Actuarial (gain)/loss	**(1,785)**	(16,691)	40,139	**(1,071)**	(1,220)	1,221
Benefits paid	**(23,365)**	(16,292)	(12,272)	**(911)**	(867)	(704)
Curtailments	**-**	-	-	**(3,987)**	-	-
Special termination benefits	**-**	-	-	**-**	(290)	14
Other	**(177)**	-	612	**-**	-	-
Benefit obligation at the end of the period	**$ 319,479**	$312,245	$ 320,390	**$ 10,715**	$ 15,400	$ 16,509
Change in plan assets						
Fair value of plan assets at beginning of the period	**$ 241,692**	$232,329	$ 204,243	**$ -**	$ -	$ -
Actual return on plan assets	**32,476**	17,979	27,278	**-**	-	-
Employer contributions	**3,649**	7,676	13,080	**911**	867	704
Benefits and premiums paid	**(23,365)**	(16,292)	(12,272)	**(911)**	(867)	(704)
Fair value of plan assets at the end of the period	**$ 254,452**	$241,692	$ 232,329	**$ -**	$ --	$ -
Funded status	**$ (65,027)**	$ (70,553)	$ (88,061)	**$(10,715)**	$(15,400)	$(16,509)
Unrecognized net actuarial loss	**NA**	76,135	100,865	**NA**	1,186	2,469
Unrecognized prior service cost	**NA**	(5,421)	(5,910)	**NA**	(280)	(11)
Unrecognized net transition asset	**NA**	(2,220)	(2,536)	**NA**	38	46
Net amount recognized - September 30	**$ (65,027)**	$ (2,059)	$ 4,358	**$(10,715)**	$(14,456)	$(14,005)
Fourth quarter employer contributions	**5,186**	3,455	3,457	**234**	219	179
Net amount recognized - December 31	**$ (59,841)**	$ 1,396	$ 7,815	**$(10,481)**	$(14,237)	$(13,826)
Amounts recognized in the combined statement of condition consist of:						
Prepaid benefit costs	**$ NA**	$ 19,688	$ 21,547	**$ NA**	$ -	$ -
Accrued benefit liability	**NA**	(32,775)	(39,673)	**NA**	(14,237)	(13,826)
Deferred tax asset	**NA**	195	1,015	**NA**	-	-
Accumulated other comprehensive (income)/loss, net of tax	**NA**	14,288	24,926	**NA**	-	-
Liabilities	**(59,841)**	NA	NA	**(10,481)**	-	-
Net amount recognized	**$ (59,841)**	$ 1,396	$ 7,815	**$(10,481)**	$(14,237)	$(13,826)

The following represents the amounts included in accumulated other comprehensive income at December 31, 2007.

	Pension Plan	Other Benefits	Total
Net actuarial loss	$ 53,646	$ 41	$ 53,687
Transition assets/(liabilities)	(1,904)	30	(1,874)
Prior service costs/(credits)	2,239	(153)	2,086
Total amount recognized in accumulated other comprehensive income/(loss)	$ 53,981	$ (82)	$ 53,899

The combined accumulated benefit obligation for the Ninth Pension Plan and the Eleventh Retirement Plan was $271.2 million at September 30, 2007, and $263.6 million at September 30, 2006 and $267.6 million at September 30, 2005.

The net periodic benefit costs for the Ninth Pension and the Eleventh Retirement Plans including the nonqualified pension restoration plan and Retiree Medical Plan included in the combined statement of income is comprised of the following:

	Pension Benefits			Other Benefits		
	2007	2006	2005	**2007**	2006	2005
Components of net periodic benefit cost/(income)						
Service cost	**$ 8,279**	$ 8,565	$ 7,536	**$ 384**	$ 420	$ 374
Interest cost	**18,265**	16,273	16,366	**900**	850	868
Expected return on plan assets	**(19,538)**	(17,922)	(16,869)	**-**	-	-
Net amortization and deferral	**3,727**	6,496	6,308	**(43)**	48	-
Net periodic cost	**$ 10,733**	$ 13,412	$ 13,341	**$ 1,241**	$ 1,318	$ 1,242
Retirement incentive cost, net	**1,902**	-	-	**(3,987)**	-	-
Special termination benefits	**-**	-	-	**-**	-	14
Total cost	**$ 12,635**	$ 13,412	$ 13,341	**$ (2,746)**	$ 1,318	$ 1,256

Additional Information

With the adoption of SFAS No. 158, at December 31, 2007, the Eleventh Retirement Plan's minimum pension liability was eliminated. The offsetting impact was recorded to accumulated other comprehensive loss in the combined statement of condition. As a result, there was no combined statement of income impact. As of December 31, 2006 and 2005, the minimum pension liability was $14.5 million and $25.9 million, respectively.

In calculating pension expense for the Ninth Pension Plan and in determining the expected rate of return, the calculated value of assets phases in investment gains and losses over a five-year period. In calculating pension expense for the Eleventh Retirement Plan, the calculated value of assets includes current year gains and losses.

Assumptions for Ninth Pension Plan and Eleventh Retirement Plan

Weighted average assumptions used to determine retirement and postretirement benefit obligations:

	Pension Benefits			**Other Benefits**		
	2007	2006	2005	**2007**	2006	2005
Discount rate	**6.35%**	6.00%	5.25%	**6.35%**	6.00%	5.25%
Rate of compensation increase (Ninth)	**5.00%**	5.00%	5.00%	**5.00%**	5.00%	5.00%
Rate of compensation increase (Eleventh)	**4.50%**	4.50%	4.50%	**NA**	NA	NA

Weighted average assumptions used to determine net periodic benefit cost:

	Pension Benefits			**Other Benefits**		
	2007	2006	2005	**2007**	2006	2005
Discount rate	**6.00%**	5.25%	6.00%	**6.00%**	5.25%	6.00%
Expected long-term return on plan assets (Ninth)	**8.50%**	8.00%	8.00%	**NA**	NA	NA
Expected long-term return on plan assets (Eleventh)	**8.25%**	8.25%	8.50%	**NA**	NA	NA
Rate of compensation increase (Ninth)	**5.00%**	5.00%	5.00%	**5.00%**	5.00%	5.00%
Rate of compensation increase (Eleventh)	**4.50%**	4.50%	4.50%	**NA**	NA	NA

The discount rate for the benefit plans was selected by reference to actuarial analysis, industry norms, and Moody's Aa Long-term Corporate Bond Yield.

For postretirement benefit obligations measurement purposes in the Retiree Medical Plan, annual rates of increase of 11.00 percent in the per capita cost of covered health benefits were assumed for next year. The rates were assumed to decrease to 6.00 percent through the year 2011, and remain at that level thereafter. Assumed health care trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed health care cost trend rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on total service and interest cost	$ 33	$ (37)
Effect on postretirement benefit obligation	$ 349	$ (326)

Plan Assets

The asset allocations of the Ninth Pension Plan and Eleventh Retirement Plan by asset category are as follows:

	Pension Benefits		
	September 30 2007	September 30 2006	September 30 2005
Asset Category			
Equity securities	**$ 168,064**	$ 163,564	$ 152,636
Debt securities	**82,643**	77,257	78,942
Other	**3,745**	871	751
Total	**$ 254,452**	$ 241,692	$ 232,329

The target asset allocation for equity securities for the Ninth Pension Plan is 60 percent - 70 percent and 50 percent - 60 percent for the Eleventh Retirement Plan with the balance of the funds largely targeted to debt securities.

The funding objective of the plans is to provide present and future retirement or survivor benefits for its members by achieving an attractive rate of return, as defined by the plans' policy statements, without exposing the plans to undue risk. A Board of Trustees, called the Farm Credit Foundations Trust Committee, comprised of certain members of senior management of participating employers in Farm Credit Foundations, supervises the investment assets of the plans on behalf of the employers. The Trustees adopt an asset allocation strategy for each plan that reflects return and risk objectives, plan liabilities and other factors.

The Trustees employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and the participating entities' financial conditions. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, small, mid, and large capitalizations. Other investment strategies may be employed to avoid certain market exposures, reduce portfolio risk, and to further diversify portfolio assets. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and monthly and quarterly investment portfolio reviews.

AgBank, AgVantis and combined Associations expect to contribute $5.3 million to the pension plans and $816 thousand to the Retiree Medical Plan in 2008.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the Ninth Plans and the Eleventh Plans and the Retiree Medical Plan.

	Pension Benefits	Other Benefits
2008	$ 21,861	$ 813
2009	$ 22,686	$ 788
2010	$ 28,364	$ 776
2011	$ 27,640	$ 777
2012	$ 30,293	$ 751
2013- 2017	$ 134,361	$ 3,679

Defined Contribution Plans

Most AgBank, AgVantis and Association employees participate in the Foundations 401(k) Plan. Employees hired on or after January 1, 2007 are eligible to participate only in the Foundations 401(k) Plan and are not eligible to participate in a pension or other postretirement plan. The Foundations 401(k) Plan requires the employers to match a percentage of employee contributions. AgBank's, AgVantis' and Associations' contributions to the Foundations 401(k) Plan (including predecessor plans) were $8.1 million, $7.6 million, and $6.3 million for 2007, 2006 and 2005, respectively.

NOTE 11 - INTRA-SYSTEM FINANCIAL ASSISTANCE

The Farm Credit Act provided for capital assistance to System institutions experiencing severe financial stress through the issuance, prior to October 1, 1992, by the Financial Assistance Corporation of U.S. Treasury-guaranteed 15-year bonds, of which $1.26 billion in principal amount was originally issued. The last remaining Financial Assistance Corporation bonds matured and were repaid on June 10, 2005.

Pursuant to the Farm Credit Act, the U.S. Treasury paid $440 million, on behalf of the System, in interest costs on $844 million of the Financial Assistance Corporation bonds issued for purposes other than funding Capital Preservation Agreement accruals. The Banks had irrevocably set aside funds, including interest earned, that totaled the $440 million needed to repay the interest advanced by the U.S. Treasury. On June 10, 2005, the Banks repaid the U.S. Treasury interest advanced. The FCA Board cancelled the Financial Assistance Corporation's charter as of December 31, 2006.

NOTE 12 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, Associations enter into loan transactions with officers and directors of AgBank or Associations, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The following table details information on loans made to such persons.

	2007	2006	2005
Total loans with officers and directors	**$ 656,798**	$ 554,860	$ 505,594
New loans made	**$ 608,576**	$ 466,277	$ 383,326
Repayments	**$ 525,119**	$ 417,083	$ 385,427
Other (1)	**$ 18,481**	$ 72	$ (23,332)

(1) Other is net of new directors' and resigned directors' loan balances.

In the opinion of management, none of the loans outstanding at December 31, 2007 involved more than the normal risk of collectibility.

AgBank and certain Associations purchase technical and systems support from AgVantis. The AgVantis Board of Directors is comprised of six elected directors, which are CEOs of the Associations, one director who is an officer of AgBank appointed by the AgBank CEO, and one Association director appointed by the other Board members.

NOTE 13 - REGULATORY ENFORCEMENT MATTERS

No FCA regulatory enforcement actions currently exist within the District.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

AgBank and Associations have various contingent liabilities and commitments outstanding. While primarily liable for its portion of Systemwide Debt Securities, AgBank is jointly and severally liable for the Systemwide Debt Securities of the other System banks. The total Systemwide Debt Securities of the System at December 31, 2007 were $154.44 billion.

AgBank and Associations may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of their borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit and commercial letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the combined financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2007, $7.13 billion of commitments to extend credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the combined statement of condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

AgBank and Associations also participate in standby letters of credit to satisfy the financing needs of their borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2007, the District had $162.3 million of standby letters of credit.

At December 31, 2007, various lawsuits were pending against AgBank and Associations in which claims for monetary damages have been or may be asserted. In the opinion of management, based on information currently available and taking into account the advice of legal counsel, the ultimate liability, if any, of pending or threatened legal actions would not be significant in relation to the combined financial position of AgBank, Associations, and AgVantis.

NOTE 15 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

AgBank incurs and manages the primary sources of interest rate risk within the District. AgBank maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to manage significant unplanned fluctuations in earnings that are caused by interest rate volatility. AgBank's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain assets and liabilities so that movements in interest rates do not adversely affect market values or the net interest margin. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by AgBank's gains or losses on the derivative instruments that are linked to these hedged assets and liabilities. Another result of interest rate fluctuations is that the interest income and interest expense of assets and liabilities, respectively, will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by AgBank's income or expense from the derivative instruments that are linked to these hedged assets and liabilities. AgBank considers its strategic use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents market values and earnings from being exposed to undue risk posed by changes in interest rates.

AgBank enters into derivatives, particularly interest rate swaps, interest rate caps, and interest rate floors, to lower funding costs, manage liquidity, diversify sources of funding, or manage interest rate exposures arising from mismatches between assets and liabilities. Interest rate swaps allow AgBank to convert fixed rate long-term debt to a floating rate instrument. The resulting cost of funds may be lower than it would have been if floating rate borrowings were made directly and also lowers AgBank's liquidity risk. Under interest rate swap arrangements, AgBank agrees with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount with at least one stream based on a specified floating rate index.

Given asset-liability mismatches, AgBank may use a variety of interest rate swaps to achieve a better match with the repricing characteristics of interest earning assets. The exchange of floating rate for fixed rate (receive fixed swaps); fixed rate for floating rate (pay fixed swaps); and floating rate for floating rate with payment obligations tied to specific indices may be used to reduce the impact of market fluctuations on AgBank's net interest income.

Options, such as interest rate caps and floors, are used to reduce the impact of changing interest rates. These options meet all hedge criteria and thus, are designated cash flow hedges. Changes in fair value of cash flow hedges are deferred and reported in accumulated other comprehensive income.

By using derivative instruments, AgBank exposes itself to credit risk and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, AgBank's credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes AgBank, and creates a repayment risk for AgBank. When the fair value of the derivative contract is negative, AgBank owes the counterparty and, therefore, assumes no repayment risk.

To minimize the risk of credit losses, AgBank deals with counterparties that have an investment grade or better credit rating from a major rating agency, and also monitors the credit standing of and levels of exposure to individual counterparties. AgBank has executed derivative transactions with ten counterparties, eight of which represent approximately 89 percent of the total notional amount of these derivatives. AgBank does not anticipate nonperformance by any of these counterparties. AgBank typically enters into master agreements that include netting provisions and the right of offset which allows AgBank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All derivative transactions are supported by collateral arrangements with counterparties. At December 31, 2007, AgBank has not posted or received collateral with respect to these arrangements.

Fair-Value Hedges

AgBank enters into interest rate swaps primarily to convert fixed rate long-term debt to floating rate debt.

Cash Flow Hedges

AgBank uses various types of interest rate caps and swaps to reduce the impact of rising interest rates on short-term debt and to offset the effect of periodic and lifetime caps on loans and investments. AgBank also uses interest rate floors to reduce the impact of falling interest rates on floating rate assets. The specific terms and notional amounts of the swaps are determined based on management's assessment of future interest rates and strategic initiatives.

For certain cash flow hedges, gains and losses on derivative contracts that are reclassified from accumulated other comprehensive income to current period earnings are included in the line item in which the hedged item is recorded in the same period the forecasted transaction was to affect earnings. As of December 31, 2007, $5.7 million of the deferred net losses on derivative instruments in accumulated other comprehensive income are expected to be reclassified though earnings during the next twelve months. The maximum term over which AgBank is hedging its exposure to the variability of future cash flows (for all forecasted transactions, excluding interest payments on variable rate debt) is ten years.

For both fair value and cash flow hedges, the amount of hedge ineffectiveness is reflected in interest income or interest expense. Changes in the fair value of derivatives not meeting hedge criteria are included in noninterest expense. Two swaps not meeting hedge criteria were sold during 2005. Accumulated other comprehensive income (loss) includes fair value adjustments relating to investments held as available-for-sale and accumulated gains or losses on cash flow derivatives, which are anticipated to be reclassified as income or expense in the future.

The following table details the activity in earnings related to derivatives:

	For the Year Ended December 31		
	2007	2006	2005
Recognition in income (expense):			
Fair value hedges			
Hedge ineffectiveness	**$ (910)**	$ 1,386	$ 211
Components excluded from the effectiveness assessment	**-**	-	19
Cash flow hedges			
Ineffective component of cash flow hedges	**(568)**	(570)	(80)
Discontinuance of cash flow hedges	**(1,180)**	(8,528)	(6,705)
Derivatives not designated as hedges			
Change in fair value of derivatives not designated as hedges	**-**	-	20
Total impact to earnings	**$ (2,658)**	$ (7,712)	$ (6,535)

During 2007, AgBank closed out two interest rate cap derivatives and recorded a loss of $1.2 million. These were three-month LIBOR caps originally purchased as hedges against rising interest rates on three-month discount notes. During 2006, AgBank closed out eight interest rate cap derivatives and recorded a loss of $8.5 million. These caps were either three-month LIBOR caps or six-month LIBOR caps originally purchased as hedges against rising interest rates on debt. By discontinuing these caps, the remaining unamortized premiums were recognized as losses and premium amortization included in interest expense in future periods will be reduced by a similar amount. Both in 2007 and 2006, these were replaced with interest rate caps indexed to 1-month LIBOR to better match the portfolio of liabilities being hedged. In 2005, AgBank terminated five interest rate swaps that were cash flow hedges and recorded a $6.7 million loss. These were pay fixed swaps entered into at higher interest rates that were replaced when the hedged debt was replaced with lower cost debt.

NOTE 16 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the District's financial instruments at December 31, 2007, 2006 and 2005. The fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices are generally not available for certain financial instruments, as described below. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly impact the estimates.

The estimated fair values of AgBank's and Associations' financial instruments are as follows:

	December 31					
	2007		2006		2005	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Loans and notes receivable, net	**$ 19,689,516**	**$ 19,810,417**	$17,561,099	$17,513,199	$16,715,885	$16,640,102
Cash and federal funds	**$ 274,540**	**$ 274,540**	$ 217,465	$ 217,465	$ 246,785	$ 246,785
Eligible investment securities	**$ 4,983,486**	**$ 4,983,486**	$ 3,829,106	$ 3,829,106	$ 3,507,408	$ 3,507,408
Mission-related and other investments	**$ 1,168,830**	**$ 1,184,588**	$ 1,084,742	$ 1,087,378	$ 507,598	$ 509,323
Derivative assets	**$ 39,988**	**$ 39,988**	$ 13,277	$ 13,277	$ 18,707	$ 18,707
Financial liabilities:						
Systemwide debt securities	**$ 21,103,730**	**$ 21,270,310**	$18,181,097	$18,107,609	$16,887,255	$16,803,358
Other bonds and notes	**$ 639,493**	**$ 639,279**	$ 569,514	$ 569,360	$ 393,666	$ 391,612
Derivative liabilities	**$ 6,086**	**$ 6,086**	$ 53,897	$ 53,897	$ 81,495	$ 81,495
Unrecognized financial instruments:						
Commitments to extend credit	**$ -**	**$ 883**	$ -	$ 101	$ -	$ (72)

A description of the methods and assumptions used to estimate the fair value of each class of the District's financial instruments for which it is practicable to estimate the value follows.

Loans and Notes Receivable: Because no active market exists for AgBank's and the Associations' loans, fair value is estimated by discounting the expected future cash flows using AgBank's and/or the Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. Since the discount rates are based on the District's loan rates as well as management estimates, management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale.

For purposes of determining the fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool. Fair value of loans in nonaccrual status is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows.

Cash and Federal Funds: The carrying value is a reasonable estimate of fair value.

Eligible Investment Securities: The fair value is derived from multiple sources, including nationally recognized pricing providers and AgBank's internal valuation model.

Mission-related and other investments: The fair value is estimated by calculating the discounted value of the expected future cash flows.

Systemwide Debt Securities and Other Bonds and Notes: Bonds and notes at times may not be regularly traded; thus, quoted market prices may not be available. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between System debt instruments and Treasury issues.

Derivative Financial Instruments: The fair value of derivative financial instruments (asset and liability) is the estimated amount that AgBank would receive or pay to terminate the agreement at the reporting date, considering current interest rates and the current credit worthiness of the counterparties.

Commitments to extend credit: The fair value considers the difference between the current level of interest rates and the committed rates.

NOTE 17 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly combined results of operations for the years ended December 31, 2007, 2006 and 2005 follow:

			2007		
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 157,267**	**$ 167,088**	**$ 176,181**	**$ 163,297**	**$ 663,833**
Loan loss reversal/(Provision for loan losses)	**5,282**	**(1,445)**	**(5,545)**	**(1,875)**	**(3,583)**
Noninterest expenses, net	**(55,486)**	**(59,053)**	**(53,050)**	**(72,162)**	**(239,751)**
Net income	**$ 107,063**	**$ 106,590**	**$ 117,586**	**$ 89,260**	**$ 420,499**

	2006				
	First	Second	Third	Fourth	Total
Net interest income	$ 143,436	$ 144,693	$ 149,136	$ 154,766	$ 592,031
Loan loss reversal/(Provision for loan losses)	1,281	(121)	(1,162)	(7,514)	(7,516)
Noninterest expenses, net	(55,828)	(54,479)	(53,794)	(71,902)	(236,003)
Net income	$ 88,889	$ 90,093	$ 94,180	$ 75,350	$ 348,512

	2005				
	First	Second	Third	Fourth	Total
Net interest income	$ 127,746	$ 130,665	$ 134,005	$ 137,448	$ 529,864
Loan loss reversal/(Provision for loan losses)	2,775	2,599	5,229	(438)	10,165
Noninterest expenses, net	(48,800)	(52,165)	(51,309)	(57,147)	(209,421)
Net income	$ 81,721	$ 81,099	$ 87,925	$ 79,863	$ 330,608

NOTE 18 - BANK ONLY FINANCIAL DATA

AgBank's condensed financial information follows:

Statement of Condition

	December 31		
	2007	2006	2005
Loans to Associations	**$ 15,737,457**	$ 14,126,632	$ 13,374,650
Loans to others	**977,742**	760,151	692,783
Less allowance for loan losses	**889**	927	1,209
Net loans	**16,714,310**	14,885,856	14,066,224
Cash, federal funds and investment securities	**5,613,088**	4,402,388	3,873,525
Other assets	**356,427**	292,284	227,230
Total assets	**$ 22,683,825**	$ 19,580,528	$ 18,166,979
Systemwide debt securities	**$ 21,103,730**	$ 18,181,097	$ 16,887,255
Other liabilities	**291,349**	323,926	287,728
Total liabilities	**21,395,079**	18,505,023	17,174,983
Preferred stock	**225,000**	-	-
Stock	**554,860**	547,257	494,761
Retained earnings	**591,567**	576,599	560,535
Accumulated other comprehensive income/(loss)	**(82,681)**	(48,351)	(63,300)
Total shareholders' equity	**1,288,746**	1,075,505	991,996
Total liabilities and shareholders' equity	**$ 22,683,825**	$ 19,580,528	$ 18,166,979

Statement of Income

	For the Year Ended December 31		
	2007	2006	2005
Interest income	**$ 1,116,914**	$ 949,692	$ 660,062
Interest expense	**987,588**	840,773	570,246
Net interest income	**129,326**	108,919	89,816
Loan loss reversal	**(49)**	(142)	(3,772)
Net interest income after loan loss reversal	**129,375**	109,061	93,588
Noninterest income	**19,228**	20,777	20,107
Noninterest expense			
Salaries and employee benefits	**15,916**	14,368	13,732
Occupancy and equipment expense	**2,340**	2,277	2,284
Insurance fund premium	**1,288**	1,117	328
Other operating expense	**9,532**	10,661	8,013
Gains on other property owned	**(5)**	(7)	(143)
Intra-System financial assistance expenses	**-**	-	87
Loss on discontinuance of cash flow hedge	**1,180**	8,528	6,705
Loss on early extinguishment of debt	**1,425**	-	-
Net income	**$ 116,927**	$ 92,894	$ 82,689

AgBank patronage distributions to Associations are reflected in the following table. In 2007, stock patronage was discontinued and all patronage was paid in cash.

	For the Year Ended December 31		
	2007	2006	2005
Patronage in stock	**$ -**	$ 19,137	$ 15,321
Patronage in cash	**86,987**	57,693	50,568
Total patronage	**$ 86,987**	$ 76,830	$ 65,889

Associations are required to own and maintain an investment in AgBank equities equal to 5.00 percent of their wholesale loan volume (the "Required Investment"). AgBank equities include stock, whether purchased or received in a patronage refund, and attributed surplus.

All intercompany balances and transactions are eliminated in combination.

NOTE 19 - ADDITIONAL DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS DISCLOSURES

The table below provides information about derivatives and other financial instruments that are sensitive to changes in interest rates, including debt obligations and interest rate swaps. The debt information below represents the principal cash flows and related weighted average interest rates by expected maturity dates. The derivative information below represents the notional amounts and weighted average interest rates by expected maturity dates. This table was prepared using the implied forward yield curve at December 31, 2007.

Maturities of 2007 Derivative Products and Other Financial Instruments

December 31, 2007 *(dollars in millions)*	2008	2009	2010	2011	2012	After 2012	Total	Fair Value
Systemwide Debt Securities:								
Fixed rate	$ 4,977	$ 1,515	$ 1,264	$ 776	$1,408	$4,620	$14,560	$14,730
Weighted average interest rate	4.24%	4.65%	4.64%	4.95%	5.01%	5.36%	4.78%	
Variable rate	$ 2,852	$ 2,002	$ 1,222	$ 78	$ 129	$ 261	$6,544	$ 6,540
Weighted average interest rate	4.66%	4.73%	4.99%	5.06%	4.82%	4.92%	4.76%	
Derivative Instruments:								
Receive fixed swaps								
Notional value	$ 1,075	$ 855	$ 700	$ 75	$ 125	$ 250	$3,080	$ 27
Weighted average receive rate	3.79%	4.07%	5.13%	5.13%	5.20%	5.03%	4.36%	
Weighted average pay rate	3.92%	3.31%	4.02%	4.63%	4.65%	5.17%	3.92%	
Amortizing pay fixed								
Notional value	$ -	$ -	$ 7	$ -	$ -	$ -	$ 7	$ -
Weighted average receive rate			3.89%				3.89%	
Weighted average pay rate			7.00%				7.00%	
Forward starting								
Notional value	$ -	$ -	$ -	$ -	$ -	$ 10	$ 10	$ -
Weighted average receive rate						5.53%	5.53%	
Weighted average pay rate						5.20%	5.20%	
Interest rate caps								
Notional value	$ 165	$ 240	$ 260	$ 150	$ 30	$ 410	$1,255	$ 5
Other derivative products								
Notional value	$ -	$ 100	$ -	$ -	$ -	$ -	$ 100	$ 2
Total notional value	$ 1,240	$ 1,195	$ 967	$ 225	$ 155	$ 670	$4,452	$ 34
Total weighted average rates on swaps:								
Receive rate	3.79%	4.07%	5.12%	5.13%	5.20%	5.05%	4.37%	
Pay rate	3.92%	3.31%	4.05%	4.63%	4.65%	5.17%	3.93%	

COMPENSATION DISCUSSION AND ANALYSIS

(Amounts in whole dollars)

The objectives of the U.S. AgBank Chief Executive Officer (CEO) compensation plans (Plans) are to:

- Provide market based compensation through base salary, and annual and long-term incentive components that will allow AgBank to attract, motivate and retain superior executive talent;
- Place a significant portion of total compensation for the executive at risk and contingent upon AgBank remaining sound financially and meeting established performance goals; and
- Ensure long-term financial stability of AgBank is emphasized over short-term results and decisions.

The Plans are designed to:

- Reward successful business year results through an Annual Incentive Plan;
- Foster AgBank long-term financial stability through the Long-Term Incentive Plan; and
- Significantly contribute to the retention of the CEO.

The CEO and other executives participate in the Executive Incentive Plan that has an Annual Incentive Plan component and a Long-Term Incentive Plan component. Due to the cooperative business structure of AgBank, the Plans do not contain stock-based compensation components.

The Annual Incentive Plan performance factors and the weightings used in 2007 were earnings (25%), credit quality (25%), operating efficiency (20%), service quality (10%), and a Board discretionary rating (20%). In the 2007 Annual Incentive Plan, the CEO award range was 0 percent to 40 percent of base pay with a target of 25%. The percentage of base pay awarded is determined by the AgBank Board of Directors' (Board) performance appraisal rating of the CEO and the actual results achieved in relation to the minimum and maximum levels of performance for each performance factor as determined by the Board.

The Long-Term Incentive Plan is linked to the long-term stability of AgBank. This long-term stability is determined through the Contractual Interbank Performance Agreement (CIPA) score. The CEO award target for the 2007 Long-Term Incentive Plan was 50%. The actual percentage of base pay awarded is determined by the AgBank Board.

Additionally, AgBank provides a comprehensive and market-based package of employee benefits for health and welfare, and for retirement purposes. The employee benefits provided to the CEO are through the same benefit plans as are offered to other similarly situated employees. In addition, some retirement benefits are restored for the CEO and other AgBank executives through one or more nonqualified retirement plans.

SUMMARY COMPENSATION TABLE

	Year	Base Salary	Annual Incentive Compensation	Long-term Incentive Compensation	All Other Compensation (3)	Total
Darryl W. Rhodes, CEO	2007	$ 438,901	$ 127,500	$ 212,500	$ 41,627	$ 820,528
Darryl W. Rhodes, CEO (1)	2006	$ 35,417	$ -	$ -	$ 1,784	$ 37,201
Jerold L. Harris, retired	2006	$ 387,370	$ 100,000	$ 125,000	$ 44,560	$ 656,930
	2005	$ 367,444	$ 84,600	$ 113,000	$ 30,682	$ 595,726
5 other Senior Officers (4)	2007	$ 995,255	$ 158,500	$ 321,000	$ 65,741	$ 1,540,496
6 other Senior Officers (2)	2006	$ 1,269,693	$ 188,000	$ 238,400	$ 87,190	$ 1,783,283
5 other Senior Officers	2005	$ 1,071,804	$ 165,500	$ 212,550	$ 75,569	$ 1,525,423

(1) One month compensation as CEO recognized in 2006.

(2) Includes Darryl W. Rhodes as Executive Vice President-Finance for 11 months in 2006.

(3) Other compensation includes company contributions for 401(k), restoration of company contributions on compensation voluntarily deferred, life and disability insurance, retirement gifts, spousal travel, and other miscellaneous expenses.

(4) Two of the Senior Officers began employment in March 2007.

SUMMARY COMPENSATION DISCLOSURE

Summary Compensation Table - The Base Salary and Annual Incentive Compensation columns include all amounts earned during 2007 regardless of whether a portion of such compensation has been deferred at the CEO's or officers' election. The Long-Term Incentive column includes the amount awarded during 2007. In 2006 and 2005, the table includes annual and long-term incentive compensation paid during the year. Individual compensation for any senior officer included here in the aggregate is available to shareholders upon written request.

Deferred Compensation - During 2007, the CEO voluntarily deferred $57,935 of compensation, and the five other senior officers voluntarily deferred $149,125 of compensation under the 401(k) Plan and the Nonqualified Deferred Compensation Plan.

Other Compensation - Other Compensation is primarily comprised of company contributions to benefit plans, taxable group term life insurance premiums, and long-term disability premiums. In 2007, AgBank's employer matching contribution to the CEO's 401(k) was $13,400 and its contribution to the Nonqualified Deferred Compensation Plan to restore the employer match lost due to IRS limits and compensation deferred was $23,593.

Annual Incentive Plans - In addition to base salary, substantially all employees and executives can earn additional incentive compensation under the Annual Incentive Plans which are gain-sharing plans tied to the overall business performance and to the employee's performance. The Annual Incentive Plans are based on the fiscal year and are designed to motivate employees and executives to exceed annual performance targets established by the Board of Directors. In 2007, performance targets were established for the following factors: Earnings, Operating Efficiency, Asset Quality and Service Quality. In addition, the plans include provisions for the Board to evaluate AgBank's performance in other important but subjective areas of operations through a discretionary rating component.

While substantially all employees are covered by the Annual Incentive Plans, the percentage of base salary that can be earned increases at manager, senior officer, and executive levels. Also, the percentage of salary that can be earned is higher if the individual's performance evaluation is higher.

Long-Term Incentive Plans - The Executive Long-Term Incentive Plan for the CEO and other senior management involves a series of three-year plans with targeted long-term awards for executives based on position and responsibilities. For each executive, a long-term incentive award is established and communicated at the beginning of the plan term, but not paid out. The payout of the Long-Term Incentive award is three years later and is conditioned upon satisfactory performance of the executive and AgBank exceeding a CIPA score as determined in the plan.

Substantially all other employees are eligible for the Employee and Vice President Long-Term Retention Plan, which is a series of three 30-month plans. Under this Long-Term Retention Plan, individual awards are established and communicated to each employee but not paid out for 30 months.

Executives and employees that terminate forfeit these awards.

2008 Plans - Annual and Long-Term Incentive Plans are considered annually by the Board, and Incentive Plans similar to the 2007 Plans previously discussed have been approved by the Board for 2008.

Expense Reimbursement - Additionally, all employees are reimbursed for travel expenses incurred when traveling on AgBank business. A copy of the travel policy is available to shareholders upon written request.

CEO Agreement - Darryl W. Rhodes began serving as the CEO for AgBank on December 1, 2006. The terms of his employment are established under an Employment Agreement (Agreement) with the Board of Directors. This is an "at-will" employment arrangement with no specified term of employment. No termination benefits are provided to the CEO under the agreement. The pertinent elements of this Agreement include termination of the previous employment agreement and preservation of certain provisions of Mr. Rhodes' previous employment agreement which included a Supplemental Executive Retirement Plan (SERP) and clarification of eligibility related to existing and future incentive plans. The SERP provides a pension benefit based on the high 36 month average compensation instead of the high 60 month average compensation utilized in the Qualified Pension Plan. Mr. Rhodes served as AgBank's Executive Vice President-Finance from 1991 to 2006 and has been in various other credit and management positions during more than 35 years in the District.

PENSION BENEFITS DISCLOSURE

Overview - The CEO participates in two defined benefit pension plans: The Ninth Farm Credit District Pension Plan (Qualified Pension Plan), a tax-qualified pension plan; and the U.S. AgBank District Pension Restoration Plan (Pension Restoration Plan), a nonqualified plan. The CEO is eligible for a SERP as defined in the Agreement. He is also eligible to participate in the Ninth Farm Credit District Defined Contribution/401(k) plan with an employer matching contribution.

Qualified Pension Plan - The Qualified Pension Plan provides participants with a 50% joint-and-survivor annuity benefit at normal retirement equal to 1.50% of high 60 month average earnings multiplied by years of benefit service; plus 0.25% of high 60 month average earnings in excess of Covered Compensation multiplied by years of benefit service. Covered Compensation is a 35 year average of the Social Security Taxable Wage Bases up to retirement age. Under the Qualified Pension Plan, compensation is defined as including all base salary, annual incentive and long-term incentive compensation. The Pension Plan includes all compensation up to the current limit imposed by the Internal Revenue Code of $335,000. The Plan is also limited by the IRS in the amount of annual benefit that can be provided. The current annual benefit limit is $180,000.

Pension Restoration Plan - The objective of the Pension Restoration Plan is to provide the portion of the employee's benefit that cannot be provided by the Pension Plan due to the pay and benefit limitations established by the Internal Revenue Code. The Pension Restoration Plan also restores employer matching contributions from the defined contribution plan that are lost due to Internal Revenue Code limitations as a result of compensation voluntarily deferred. With the following exceptions, the provisions of the Pension Restoration Plan are the same as those of the Qualified Pension Plan:

- The Qualified Pension Plan does not include amounts deferred under the Deferred Compensation Plan in its calculation of a participant's high average earnings. The Pension Restoration Plan includes these amounts.
- No Internal Revenue Code compensation or benefit limits are applied in the calculation of the Pension Restoration Plan benefits.
- An annuity option is not available. The only available benefit payment options are a lump sum or an annual payment from 2 to 10 years.

Benefits payable under the Pension Restoration Plan are offset by the benefits payable from the Qualified Pension Plan. The balance not paid out is credited an annual earnings rate of 8.0%.

SERP Benefit - The Agreement provides a SERP benefit to the CEO. The provisions of the SERP benefit are the same as those of the Pension Plan and Pension Restoration Plan except the final average earnings are the average of the highest 36 consecutive calendar months of compensation (instead of the highest 60 months). The benefit payable under the SERP is offset by the benefits payable from the Qualified Pension and Pension Restoration Plans. An annuity option is not available under this plan and the only available benefit payment options are a lump sum or an annual payment from 2 to 10 years. The balance not paid out is credited an annual earnings rate of 8.0%.

COMPENSATION OF DIRECTORS

Each month, AgBank's directors are paid 1/12th of the amount established by the AgBank Board of Directors as the annual compensation to each director for services rendered. During 2007, each of the directors was compensated $3,466 monthly for normal responsibilities including Board committees. In addition to cash compensation, directors are reimbursed for direct travel expenses incurred. Aggregated reimbursements to directors for travel, subsistence and other related expenses were $222,608, $302,431 and $233,943 for the years December 31, 2007, 2006 and 2005, respectively. De minimis amounts or gifts to directors, if any, are not included in compensation. A copy of the expense reimbursement policy is available to shareholders upon written request.

Additional information for each director is as follows:

Name	Number of Days Served at Board Meetings	Number of Days Served in Other Official Activities	Compensation (1)
Glen A. Rector	17	23	$ 41,600
John Eisenhut	16	19	41,600
Wayne Allen	17	22	41,600
Wesley D. Brantley	17	19	41,600
John J. Breen	17	18	41,600
Oghi DeGiusti	17	35	41,600
Lyle H. Gray	17	23	41,600
J. Less Guthrie	17	21	41,600
George Jenik	17	24	41,600
David S. Phippen	15	12	41,600
Sheldon Richins	16	19	41,600
Edward L. Schenk	17	28	41,600
Kenneth Shaw	17	23	41,600
Donnell Spencer	17	22	41,600
David Vanni (2)	4	4	10,400
Robert J. Wietharn	17	27	41,600
Marvin Lohse (3)	10	9	31,200
			$ 665,600

(1) The regulatory limit for 2007 was $48,815
(2) Became Board Member October 1, 2007
(3) Left the Board September 30, 2007

Days served in the above chart represent actual days at board meetings and activities. Board members also spend additional time in preparation for meetings and in travel to and from meetings.

Disclosure Information Required by Farm Credit Administration Regulations

U.S. AgBank District

(Dollars in thousands, except as noted)

Description of Business

The description of the territory served, persons eligible to borrow, types of lending activities engaged in and financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the combined financial statements, "Organization and Operations" included in this annual report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or disposition of material assets, material changes in the manner of conducting the business, seasonal characteristics and concentrations of assets, if any, required to be disclosed in this section, is incorporated herein by reference from "Management's Discussion and Analysis" included in this annual report to shareholders.

Description of Property

The activities and description of property required to be disclosed in this section are incorporated herein by reference from Note 5 to the combined financial statements "Premises and Equipment," included in this annual report to shareholders.

Legal Proceedings and Enforcement Actions

Information required to be disclosed in this section is incorporated herein by reference from Note 11 to the combined financial statements, "Intra-System Financial Assistance," and Note 14 to the combined financial statements, "Commitments and Contingencies," included in this annual report to shareholders. There were no regulatory enforcement matters for the years presented.

Description of Capital Structure

Information required to be disclosed in this section is incorporated herein by reference from Note 8 to the combined financial statements, "Shareholders' Equity," included in this annual report to shareholders.

Description of Liabilities

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 7 to the combined financial statements, "Bonds and Notes," included in this annual report to shareholders.

The description of intra-system financial assistance and contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 11 and 14 to the combined financial statements in this annual report to shareholders.

Selected Financial Data

The selected financial data for the five years ended December 31, 2007 required to be disclosed in this section is incorporated herein by reference from the "Five-Year Summary of Selected Combined Financial Data" included in this annual report to shareholders.

Management's Discussion and Analysis

"Management's Discussion and Analysis," included in this annual report to shareholders is required to be disclosed in this section, and is incorporated herein by reference.

Directors and Senior Officers

The following represents certain information regarding the directors of AgBank:

Glen A. "Andy" Rector, Chairman, 66, Agate, Colorado, is a farmer and rancher with a cow/calf/yearling and wheat operation and is in partnership with his two sons. He is a member of Farm Credit of Southern Colorado, ACA. He serves as an ex-officio member of the U.S. AgBank, FCB, Audit Committee and the U.S. AgBank, FCB, Compensation Committee. He also serves on the U.S. AgBank, FCB, Risk Management Committee. He has a Bachelor of Science Degree in Vocational Education from Colorado State University. Mr. Rector became a director in 2002, and his current term expires on September 30, 2010.

John Eisenhut, 62, Vice Chairman, Turlock, California, is an almond grower and Manager of Grower Relations for Hilltop Ranch, an almond processor. He is a member and former chairman of the board of directors of American AgCredit, ACA. He is a member and former officer of the Stanislaus County Farm Bureau. Mr. Eisenhut serves on the U.S. AgBank, FCB, Compensation Committee and the U.S. AgBank, FCB, Risk Management Committee. He has a Bachelor's Degree and a Masters Degree in Economics from the University of California-Santa Barbara and an MBA from California State University-Stanislaus. He became a director in 2005, and his current term expires on September 30, 2009.

Wayne Allen, 66, Nevada City, California, is a rice producer. He is a member and former chairman of the board of directors of Sacramento Valley Farm Credit, ACA. He is a member of Cal West Seeds, a seed marketing cooperative, and served on the board of directors of that organization for 24 years. Mr. Allen serves as Chairman of the U.S. AgBank, FCB, Compensation Committee and is a member of the U.S. AgBank, FCB, Risk Management Committee. He has an Associates of Arts Degree from Sacramento City College. Mr. Allen became a director in 2003, and his current term expires on September 30, 2009.

Wesley D. Brantley, 67, Ada, Oklahoma, is a CPA and was an audit partner with Horne and Company, CPAs, in Ada, Oklahoma from 1967 to 1998. His areas of practice included banks, savings and loans, farm cooperatives, insurance companies, colleges, and state and local governments. In 1998, Mr. Brantley accepted a position as Chief Financial Administrator of the Chickasaw Nation, a federally recognized Indian tribe. In this capacity, he was responsible for the tribe's financial statements, budget and grant writing departments, internal audit department, governmental and grant finance department, purchasing and supply department and oversight of the housing and tribal business finance department. Mr. Brantley has retired from this position and now serves in a consulting capacity. Mr. Brantley serves on the U.S. AgBank, FCB, Audit Committee and has been designated a financial expert. He also serves on the U.S. AgBank, FCB, Risk Management Committee. Mr. Brantley has a Bachelor's of Science Degree in General Business from East Central University in Ada, Oklahoma. He was appointed to the Board of Directors in October 2005, and his current term expires on September 30, 2008.

John J. "Jack" Breen, 65, Middletown, New Jersey, was the managing Director-Administration of the Federal Farm Credit Banks Funding Corporation prior to his retirement in 2004. Mr. Breen joined the Funding Corporation management team in 1991 with responsibility for Farm Credit System financing programs and Selling Group Management. In 1996, he assumed responsibility for a newly created Administration Group encompassing all Funding Corporation operating activities, including Information Systems, Securities Operations, Corporate Accounting, Business Continuity Planning, and Selling Group Surveillance and Credit Activities. Prior to joining the Funding Corporation, Mr. Breen spent 15 years in various executive positions with the Irving Trust Company, a New York money center banking company, and served as a member of the bank's Risk Management and Foreign Exchange Management Committees. He serves on the U.S. AgBank, FCB, Audit Committee and has been designated a financial expert. Mr. Breen also serves on the U.S. AgBank, FCB, Risk Management Committee. He has a Bachelor of Science Degree in Economics from Fordham University and an MBA from the University of Buffalo. He was appointed to the Board of Directors in July 2004, and his current term expires on September 30, 2010.

Oghi A. "Tony" DeGiusti, 55, Tuttle, Oklahoma, is a farmer who produces alfalfa and grass hay and wheat. He also owns and operates a cow/calf stocker operation. Mr. DeGiusti is a member and former chairman of the board of directors of Chisholm Trail Farm Credit, ACA. He serves as a director of the Grady County Alfalfa Hay Growers Association and is a member of the Oklahoma Farm Bureau and the Oklahoma Farmers Union. Mr. DeGiusti serves on the U.S. AgBank, FCB, Compensation Committee and on the U.S. AgBank, FCB, Risk Management Committee. He became a director in 2005, and his current term expires on September 30, 2008.

Lyle H. Gray, 73, Leon, Kansas, is a rancher and stockman with a cow/calf/yearling operation. He is a member of Farm Credit Services of Central Kansas, ACA. Mr. Gray is a past member of the executive board of the Kansas Beef Council. He formerly served as treasurer, vice chairman and chairman of the Cattlemen's Beef Promotion and Research Board, as a director of the National Cattlemen's Beef Association board, and as the president of the Kansas Livestock Association. Mr. Gray serves on the U.S. AgBank, FCB, Compensation Committee and on the U.S. AgBank, FCB, Risk Management Committee. He is a graduate of Butler County Community College in El Dorado, Kansas. Mr. Gray became a director in 1990, and his current term expires on September 30, 2009.

J. "Less" Guthrie, 63, Porterville, California, owns and operates a cow/calf and stocker cattle ranch and a diversified farming operation. Mr. Guthrie is a member of Farm Credit West, ACA. He serves on the board of directors of Guthrie Investment Co., Inc. and F&T Financial Services. He also serves as vice chairman of the board of directors of the Federal Farm Credit Banks Funding Corporation and on the board of directors of the California Cattlemen's Association. Mr. Guthrie serves on the U.S. AgBank, FCB, Compensation Committee and on the U.S. AgBank, FCB, Risk Management Committee. He has a Bachelor of Science Degree in Agricultural Economics from the University of California-Davis. Mr. Guthrie became a director in 1997, and his current term expires on September 30, 2010.

George Jenik, 73, Sterling, Colorado, who is semi-retired, feeds cattle in a custom feedlot. He is a member of Premier Farm Credit, ACA. Mr. Jenik serves as a director of the Northern Water Conservancy District, a water distribution company, and is a member of the National Cattlemen's Association. He serves on the U.S. AgBank, FCB, Audit Committee and on the U.S. AgBank, FCB, Risk Management Committee. Mr. Jenik became a director in 1997, and his current term expires on September 30, 2008.

David S. Phippen, 57, Ripon, California, is an almond grower and a co-owner in an almond processing company. He is a member of American AgCredit, ACA. He served as a director and chairman of the board of directors of AgCredit Financial, ACA, but retired in 2004 when that association merged into American AgCredit, ACA. Mr. Phippen is a member and former chairman of the Almond Board of California. He currently serves as an alternate on that board. He also serves as a director of the San Joaquin County Farm Bureau. Mr. Phippen serves as Vice Chairman of the U.S. AgBank Risk Management Committee. He also serves on the U.S. AgBank, FCB, Audit Committee. Mr. Phippen has an Associates Degree from Modesto Junior College, Modesto, California. He became a director in 2006, and his current term expires on September 30, 2009.

Sheldon D. Richins, 71, Henefer, Utah, is a rancher and stockman with a cow/calf operation and is in partnership with his two sons. Mr. Richins is a member and former chairman of the board of directors of Western AgCredit, ACA. He serves on the board of directors of the Farm Credit Council. Mr. Richins is a member of the National Cattlemen's Association. He also served as chairman of the Summit County Commission and as president of the Utah Association of Counties. Mr. Richins serves on the U.S. AgBank, FCB, Compensation Committee and on the U.S. AgBank, FCB, Risk Management Committee. He has a Bachelor of Education Degree from Weber State University and a Graduate Degree in Administration from Utah State University. Mr. Richins became a director in 2005, and his current term expires on September 30, 2008.

Edward L. Schenk, 69, Chickasha, Oklahoma, is a farmer and rancher, producing primarily alfalfa, wheat and livestock. He also practices veterinary medicine on a part-time basis. Mr. Schenk is a member of Chisholm Trail Farm Credit, ACA, and Farm Credit of Central Oklahoma, ACA. Mr. Schenk is past chairman of the board of directors of the Farm Credit Council and continues to serve as a director on that board. He serves on the U.S. AgBank, FCB, Audit Committee and on the U.S. AgBank, FCB, Risk Management Committee. Mr. Schenk has a Bachelor of Science Degree and a Doctor of Veterinary Medicine Degree from Oklahoma State University. Mr. Schenk became a director in 1995, and his current term expires on September 30, 2009.

Kenneth Shaw, 57, Mountainair, New Mexico, is a rancher and stockman with a cow/calf/yearling operation. He is a member of Farm Credit of New Mexico, ACA. Mr. Shaw serves as Vice Chairman of the U.S. AgBank, FCB, Compensation Committee. He also serves on the U.S. AgBank, FCB, Risk Management Committee. He has a Bachelor of Science Degree in Agricultural Business from Eastern New Mexico University. Mr. Shaw became a director in 1999, and his current term expires on September 30, 2010.

Donnell Spencer, 73, Richfield, Utah, is a farmer and rancher raising alfalfa and livestock. He is president of Diversified Spencer, Inc., a family farming corporation. Mr. Spencer is a member and former chairman of the board of directors of

Western AgCredit, ACA. He serves as Chairman of the U.S. AgBank, FCB, Audit Committee. He also serves on the U.S. AgBank, FCB, Risk Management Committee. He has a Bachelor of Science Degree in Engineering from Utah State University. Mr. Spencer became a director in 2000, and his current term expires on September 30, 2008.

David Vanni, 66, Gilroy, California, is the owner and operator of Rancho de Solis Winery, Inc., in Santa Clara County, California. His operation consists of 40 acres of wine grapes, and covers all aspects of a winery operation, including production and marketing. Mr. Vanni is a member of American AgCredit, ACA, and served as a member of the board directors from 1984 until his election to the U.S. AgBank, FCB, Board. He is a member of the Santa Clara County Farm Bureau and serves on the Ag Advisory Committee to the Santa Clara Valley Water District Board. Mr. Vanni serves on the U.S. AgBank, FCB, Audit Committee and on the U.S. AgBank, FCB, Risk Management Committee. He attended San Francisco City College. He became a director in 2007, and his current term expires on September 30, 2010.

Robert J. Wietharn, 46, Clay Center, Kansas, is a farmer and pork producer. He manages and is a stockholder of two family-owned corporations whose operations include marketing farrow-to-finish hogs and raising corn and soybeans. He is a member of Frontier Farm Credit, ACA. Mr. Wietharn is a stockholder and chairman of the board of directors of Valley Farmers, Inc., a grain elevator, and is involved in the manufacturing and sale of irrigation equipment. Mr. Wietharn serves as Chairman of the U.S. AgBank, FCB, Risk Management Committee. He also serves as Vice Chairman of the U.S. AgBank, FCB, Audit Committee. Mr. Wietharn became a director in 2002, and his current term expires on September 30, 2010.

Marvin W. Lohse, 68, Glenn, California, is a farmer and a partner in Lohse Brothers Partnership, a diversified farming operation that produces almonds, walnuts, plums, alfalfa, and row crops. He is a member of Northern California Farm Credit, ACA, Blue Diamond Almond Growers, and the Glenn County Farm Bureau. Mr. Lohse serves on the U.S. AgBank, FCB, Audit Committee. He became a director in 2001. Mr. Lohse did not seek re-election to the Board. His term expired September 30, 2007.

Information related to AgBank's senior officers is as follows:

Darryl W. Rhodes, 57, President and Chief Executive Officer. Mr. Rhodes has served as President and CEO of U.S. AgBank, FCB, since December 1, 2006. He previously served as Executive Vice President-Finance (and Chief Financial Officer), a position he held since October 1, 2003, following the merger of the Farm Credit Bank of Wichita and the Western Farm Credit Bank. He served as Executive Vice President-Finance of the two Banks under a Joint Management Agreement from January 1, 2002, until September 30, 2003. Mr. Rhodes was named Executive Vice President-Finance of the Farm Credit Bank of Wichita in May 1991. He began his career in 1972 as a loan officer trainee with the Federal Land Bank of Wichita and has over 35 years of experience with Associations and Banks in the Farm Credit System.

Mr. Rhodes serves as Chairman of the U.S. AgBank, FCB, Executive Committee. He is a member of the Farm Credit System Presidents Planning Committee (PPC), and Chairman of the Farm Credit System Risk Management Committee and a member of the PPC Executive Committee. He also serves on the Executive Council of the Board of Directors of the National Council of Farmer Cooperatives. He was a member of the board of directors of the Federal Agricultural Mortgage Corporation (Farmer Mac) from 1995 to 1999. In addition, he served on the board of directors of the Farm Credit System Captive Insurance Company from 1997 to 2003.

Mr. Rhodes was raised on a cash grain and livestock operation near Deer Trail, Colorado. He received an Associates Degree from Northeastern Junior College in 1970, and a Bachelor's Degree in Agricultural Business from Colorado State University in 1972.

David D. Janish, 49, Senior Vice President - Finance. Mr. Janish was named Senior Vice President-Finance of U.S. AgBank, FCB, on March 12, 2007. He served as President and CEO of AgVantis, Inc., a technology and business services organization serving Farm Credit Associations and Banks from January 2002 until he assumed his current position. Mr. Janish was named Vice President-Information Services of the Farm Credit Bank of Wichita in June 1992. He began his career in 1980 with the Federal Intermediate Credit Bank of Omaha and has over 27 years of experience in corporate management, business and consulting services, and information technology with various other Farm Credit System entities, including the Farm Credit Bank of Omaha, Farm Credit Corporation of America, Farm Credit Council Services, the Farm Credit Bank of Wichita, and AgVantis, Inc.

Mr. Janish serves as Chairman of the U.S. AgBank, FCB, Asset/Liability Management Committee and the U.S. AgBank, FCB, Disclosure Controls and Procedures Committee. He is a voting member of the U.S. AgBank, FCB, Executive Committee.

Mr. Janish was raised on a diversified livestock, row crop, and grain operation near Kimball, South Dakota. He received Bachelor Degrees in Mathematics and Computer Science from the University of South Dakota, and an MBA in Finance from Regis University in Denver, Colorado.

James L. Grauerholz, 58, Senior Vice President-Administration. Mr. Grauerholz was named Senior Vice President-Administration of U.S. AgBank, FCB, on October 1, 2003, following the merger of the Farm Credit Bank of Wichita and the Western Farm Credit Bank. He served as Senior Vice President-Administration of the two Banks under a Joint Management Agreement from January 1, 2002, until September 30, 2003. Mr. Grauerholz was named Senior Vice President-Administration of the Farm Credit Bank of Wichita in 1994, and had previously served as Senior Vice President-Lending since 1991. He began his career in 1973 as a loan officer trainee with the Federal Intermediate Credit Bank of Wichita and has over 35 years of experience with Associations and Banks in the Farm Credit System.

Mr. Grauerholz is a voting member of the U.S. AgBank, FCB, Executive Committee, the U.S. AgBank, FCB, Asset/Liability Management Committee, and the U.S. AgBank, FCB, Disclosure Controls and Procedures Committee. He also serves as Chairman of the board of directors of the Farm Credit System Captive Insurance Company.

Mr. Grauerholz was raised on a cash grain and livestock operation near Athol, Kansas. He received a Bachelor's Degree in Agricultural Economics and a Masters Degree in Adult and Occupational Education from Kansas State University.

Dennis E. Grizzell, 59, Senior Vice President-Credit. Mr. Grizzell was named Senior Vice President-Credit of U.S. AgBank, FCB, on October 1, 2003, following the merger of the Farm Credit Bank of Wichita and the Western Farm Credit Bank. He served as Senior Vice President-Credit of the two Banks under a Joint Management Agreement from January 1, 2002, until September 30, 2003. Mr. Grizzell was named Senior Vice President-Credit of the Farm Credit Bank of Wichita in 1994. He began his career as a loan officer trainee with the Federal Intermediate Credit Bank of Wichita in 1972 and has over 35 years of experience with Associations and Banks in the Farm Credit System.

Mr. Grizzell is a voting member of the U.S. AgBank, FCB, Executive Committee, U.S. AgBank, FCB, Asset/Liability Management Committee, and the U.S. AgBank, FCB, Disclosure Controls and Procedures Committee. He serves as Chairman of the U.S. AgBank, FCB, Loan Committee.

Mr. Grizzell was raised on a cash grain and livestock operation near Macksville, Kansas. He received a Bachelor's Degree in Business and Agriculture from Fort Hays State University.

Gregory J. Buehne, 55, Senior Vice President-Legal and Legislative Services. Mr. Buehne was named Senior Vice President-Legal and Legislative Services of U.S. AgBank, FCB, on March 5, 2007. He began his Farm Credit System career in 1985 as Associate General Counsel at the Farm Credit Bank of Spokane, and subsequently served as the Senior Vice President and General Counsel of the Farm Credit Bank of Spokane, and also for AgAmerica, FCB, and the Western Farm Credit Bank. He left the Farm Credit System prior to the formation of U.S. AgBank, FCB, in 2003 and provided consulting services to System entities on Governance and Strategic Planning until 2007. He has over 18 years of experience in the Farm Credit System.

Mr. Buehne is a voting member of the U.S. AgBank, FCB, Executive Committee, the U.S. AgBank, FCB, Asset/Liability Management Committee, and the U.S. AgBank, FCB, Disclosure Controls and Procedures Committee. He also serves as the Executive Director of the AgBank District Farm Credit Council.

Mr. Buehne is a native Kansan and received a Bachelor of Arts Degree and Juris Doctorate from the University of Kansas in Lawrence, Kansas.

Thomas R. Kruse, 59, Senior Vice President-Internal Audit and Quality Assurance. Mr. Kruse was named Senior Vice President-Internal Audit and Quality Assurance of U.S. AgBank, FCB, on March 1, 2007. He previously served as Vice President-Risk Management, a position he held since October 1, 2003, following the merger of the Farm Credit Bank of Wichita and the Western Farm Credit Bank. He served as Vice President-Risk Management of the two Banks under a Joint Management Agreement from January 1, 2002, until September 30, 2003. Mr. Kruse was named Vice President-Risk Management of the Farm Credit Bank of Wichita in January 1997. He has over 35 years of experience in management, credit, operations, review, and audit functions with various Farm Credit System entities.

Mr. Kruse is a non-voting member of the U.S. AgBank, FCB, Executive Committee and the U.S. AgBank, FCB, Asset/Liability Management Committee. He is also a member of U.S. AgBank, FCB, Disclosure Controls and Procedures Committee.

Mr. Kruse was raised on a diversified grain and livestock farm near Little River, Kansas. He holds a Bachelor's Degree in Agricultural Economics from Kansas State University and is a graduate of the Pacific Coast Banking School.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

AgBank's policies on loans to and transactions with its officers and directors, required to be disclosed in this section are incorporated herein by reference from Note 12 to the combined financial statements, "Related Party Transactions," included in this annual report to shareholders.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

There were no matters which came to the attention of management or the Board of Directors regarding involvement of current directors or senior officers in specified legal proceedings.

BORROWER PRIVACY STATEMENT

Since 1972, Farm Credit Administration (FCA) regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without borrower consent. AgBank does not sell or trade customers' personal information to marketing companies or information brokers. Additional information regarding FCA rules governing the disclosure of customer information can be obtained by contacting AgBank.

RELATIONSHIP WITH INDEPENDENT AUDITORS

There were no changes in independent auditors since the prior annual report to shareholders, and there were no material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS PROGRAM

As part of the Farm Credit System, we are committed to providing sound and dependable credit to young, beginning and small .(YBS) farmers and ranchers. Annual marketing goals are established by each Association related to financing YBS farmers and ranchers. Association Boards of Directors regularly review the number, volume and credit quality of the YBS customers that are financed. The FCA regulatory definitions for YBS farmers and ranchers are shown below.

- Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less farming or ranching experience as of the date the loan was originally made.
- Small Farmer: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than $250 thousand in annual gross sales of agricultural or aquatic products at the date the loan was originally made.

It is important to note that due to the regulatory definitions a farmer/rancher may be included in multiple categories as they would be included in each category in which the definition was met.

The following table summarizes information regarding loans outstanding to young and beginning farmers and ranchers at year-end:

	December 31, 2007	
(dollars in millions)	Number of loans	Volume
Total loans and commitments	72,979	$ 26,879.8
Loans to young farmers and ranchers	11,931	2,868.6
Percent of loans to young farmers and ranchers	16.3%	10.7%
Loans to beginning farmers and ranchers	16,046	4,107.2
Percent of loans to beginning farmers and ranchers	22.0%	15.3%

The following table summarizes information regarding new loans made to young and beginning farmers and ranchers during 2007:

	For the Year Ended December 31, 2007	
(dollars in millions)	Number of loans	Volume
Total new loans and commitments	17,802	$ 9,374.4
New loans to young farmers and ranchers	3,161	974.7
Percent of new loans to young farmers and ranchers	17.8%	10.4%
New loans to beginning farmers and ranchers	3,976	1,273.9
Percent of new loans to beginning farmers and ranchers	22.3%	13.6%

The following table summarizes information regarding loans outstanding to small farmers and ranchers at year-end:

	December 31, 2007 Annual Gross Sales				
(dollar in millions)	$50 thousand or less	$50 to $100 thousand	$100 to $250 thousand	Over $250 thousand	Total
Total number of loans and commitments	28,053	13,468	14,865	16,593	72,979
Number of loans to small farmers and ranchers	17,222	8,428	7,407	2,921	35,978
Percent of loans to small farmers and ranchers	61.4%	62.6%	49.8%	17.6%	49.3%
Total loan and commitment volume	$ 657.8	$ 1,019.5	$ 2,483.6	$ 22,718.9	$ 26,879.8
Loans to small farmers and ranchers volume	418.2	628.3	1,165.1	1,728.0	3,939.6
Percent of loan volume to small farmers and ranchers	63.6%	61.6%	46.9%	7.6%	14.7%

The following table summarizes information regarding new loans made to small farmers and ranchers during 2007:

	For the Year Ended December 31, 2007 Annual Gross Sales				
(dollars in millions)	$50 thousand or less	$50 to $100 thousand	$100 to $250 thousand	Over $250 thousand	Total
Total number of new loans and commitments	5,104	3,046	3,658	5,994	17,802
Number of new loans to small farmers and ranchers	3,554	1,849	1,712	754	7,869
Percent of new loans to small farmers and ranchers	69.6%	60.7%	46.8%	12.6%	44.2%
Total new loan and commitment volume	$ 130.2	$ 237.7	$ 624.5	$ 8,382.1	$ 9,374.4
Total new loans to small farmers and ranchers volume	89.8	143.4	278.0	514.4	1,025.6
Percent of new loan volume to small farmers and ranchers	69.0%	60.4%	44.5%	6.1%	10.9%

Each Association management establishes annual marketing goals to increase market share of loans to YBS farmers and ranchers. A summary of goals in the District are as follows.

- Offer related services either directly or in coordination with others that are responsive to the needs of YBS farmers and ranchers in our territory;
- Take full advantage of opportunities for coordinating credit and services offered with other system institutions in the territory and other governmental and private sources of credit who offer credit and services to those who qualify as YBS farmers and ranchers in our territory; and,
- Implement effective outreach programs to attract YBS farmers and ranchers.

Reports are provided regularly to Association Boards of Directors detailing the number, volume and credit quality of their YBS customers. They have developed quantitative targets to monitor our progress. Such targets may include:

- Loan volume and loan number goals for YBS farmers and ranchers in the territory;
- Percentage goals representative of the demographics of YBS farmers and ranchers in the territory;
- Percentage goals for loans made to new borrowers qualifying as YBS farmers and ranchers in the territory; and
- Goals for capital committed to loans made to YBS farmers and ranchers in the territory.

To ensure that credit and services offered to our YBS farmers and ranchers are provided in a safe and sound manner and within our risk-bearing capacity, the Associations typically utilize customized loan underwriting standards, loan guarantee programs, fee waiver programs, or other credit enhancement programs. Additionally, Association management and staff are actively involved in developing and sponsoring educational opportunities, leadership training, business financial training and insurance services for YBS farmers and ranchers. Specific qualitative and quantitative information for each District Association can be found in its annual report.

Combined Financial Statements

The combined financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 28, 2008, and the Report of Management, appearing as part of this annual report to shareholders, is incorporated herein by reference.

The annual report and recent quarterly reports are available on the AgBank website, www.usagbank.com or copies are available free of charge, upon request to:

U.S. AgBank, FCB
245 N. Waco, P.O. Box 2940
Wichita, KS 67201-2940
(800) 322-9880

District Associations

California

Farm Credit Services of Colusa-Glenn, ACA
www.californiafarmcredit.com
Colusa • Willows

Farm Credit West, ACA
www.farmcreditwest.com
Visalia • Arroyo Grande • Bakersfield
Carpinteria • Dinuba • Hanford • Paso Robles
Santa Maria • Tulare

Federal Land Bank Association
of Kingsburg, FLCA
www.kingsburglandbank.com
Kingsburg • Hanford

Fresno-Madera Farm Credit, ACA
www.fmfarmcredit.com
Fresno • Madera

Northern California Farm Credit, ACA
www.norcalfc.com
Chico • Red Bluff •Willows

Sacramento Valley Farm Credit, ACA
www.sacagloan.com
Woodland • Yuba City

Yosemite Farm Credit, ACA
www.yosemitefarmcredit.com
Turlock • Los Banos • Merced
Modesto • Oakdale • Patterson

California and Arizona

Farm Credit Services Southwest, ACA
www.fcssw.com
Tempe • El Centro
Safford • Yuma

California and Nevada

American AgCredit, ACA
www.agloan.com
Santa Rosa • Alturas • Elko • Escondido
Eureka • Fallon • Indio • Los Banos
Merced • Oakdale • Ontario • Petaluma
Reno • Riverside • Salinas • St. Helena
Stockton • Tulelake • Turlock
Ukiah • Yreka

Colorado

Farm Credit of Southern Colorado, ACA
www.aglending.com
Colorado Springs • Burlington • LaJunta
Lamar • Limon • Monte Vista

Farm Credit Services of
the Mountain Plains, ACA
www.ifeedtheworld.com
Greeley • Durango
Grand Junction • Montrose

Premier Farm Credit, ACA
www.premieraca.com
Sterling • Fort Morgan • Yuma

Hawaii

Farm Credit Services of Hawaii, ACA
www.hawaiifarmcredit.com
Honolulu • Hilo

Idaho

Idaho Agricultural Credit Association
www.idahoagcredit.com
Blackfoot • American Falls • Rexburg

District Associations

Kansas

Farm Credit of Ness City, FLCA
www.farmcreditnesscity.com
Ness City

Farm Credit of Southwest Kansas, ACA
www.farmcreditconnect.com
Garden City • Dodge City
Liberal • Scott City

Farm Credit of Western Kansas, ACA
www.farmcreditkansas.com
Colby

Farm Credit Services of Central Kansas, ACA
www.fcskansas.com
Wichita • Concordia • El Dorado • Hutchinson
Kingman • Larned • Pratt • Salina

Frontier Farm Credit, ACA
www.frontierfarmcredit.com
Manhattan • Baldwin City • Chanute
Emporia • Hiawatha • Marysville

High Plains Farm Credit, ACA
www.highplainsfarmcredit.com
Larned • Dodge City • Hays
Phillipsburg • Pratt

New Mexico

Farm Credit of New Mexico, ACA
www.farmcreditnm.com
Albuquerque • Clovis • Las Cruces
Roswell • Tucumcari

Oklahoma

AgPreference, ACA
www.agpreference.com
Altus

Chisholm Trail Farm Credit, ACA
www.chisholmtrailfc.com
Enid • Chickasha • Duncan
Shawnee • Watonga

Farm Credit of Central Oklahoma, ACA
www.farmcreditloans.com
Anadarko

Farm Credit of East Central Oklahoma, ACA
www.farmcreditecok.com
Broken Arrow • Durant • Kingfisher
McAlester • Muskogee • Pauls Valley
Stillwater • Vinita

Farm Credit of Enid, ACA
www.fcenid.com
Enid

Farm Credit of Western Oklahoma
www.fcwestok.com
Woodward • Clinton • Guymon
Alva • Elk City

FLBA of Ponca City, FLCA
Ponca City

Utah and Wyoming

Western AgCredit, ACA
www.westernagcredit.com
South Jordan • Cedar City • Delta
Evanston • Logan • Richfield • Roosevelt
Spanish Fork • Tremonton

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U.S. AgBank, FCB

Staff Members

Darryl W. Rhodes
President & Chief Executive Officer

CREDIT DIVISION

Dennis E. Grizzell
Senior Vice President
Credit

Gregg A. Howell
Vice President
Lending

Randall S. Patane
Vice President
Lending

Gregory R. Reno
Vice President
Correspondent Lending

FINANCE DIVISION

David D. Janish
Senior Vice President
Finance

Jean L. Koenck
Vice President
Controller

Craig A. Olsen
Vice President
Treasurer

Charles D. Pfeifer
Vice President
Financial Management

ADMINISTRATION DIVISION

James L. Grauerholz
Senior Vice President
Administration

PRESIDENTS DIVISION

Thomas R. Kruse
Senior Vice President
Internal Audit & Quality Assurance

LEGAL AND LEGISLATIVE SERVICES DIVISION

Gregory J. Buehne
Senior Vice President
Legal & Legislative Services

Jeana K. Hultquist
Vice President
Legislative Affairs

U.S. AGBANK DISTRICT

PART OF THE FARM CREDIT SYSTEM

▪ ▪ ▪ Headquarters Office ▪ ▪ ▪

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Tel: 316.266.5100 • Fax: 316.266.5121

▪ ▪ ▪ Field Office ▪ ▪ ▪

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Tel: 916.973.3014 • Fax: 916.973.3092

▪ www.usagbank.com ▪