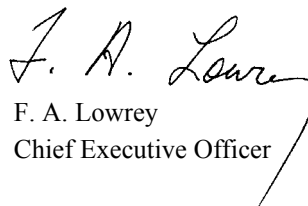



# ***SECOND QUARTER 2005***

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F. A. Lowrey  
Chief Executive Officer

  
Robert G. Sexton  
Chairman of the Board

July 29, 2005

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# Management's Discussion and Analysis of Financial Condition and Results of Operations

*(dollars in thousands, except as noted)*

The following discussion reviews the combined financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst) and the District Agricultural Credit Associations (ACAs or District Associations), collectively referred to as the District, for the three and six months ended June 30, 2005. These comments should be read in conjunction with the accompanying financial statements and the 2004 Annual Report of AgFirst Farm Credit Bank and District Associations.

As of June 30, 2005, the District consisted of AgFirst, its subsidiary (the Farm Credit Finance Corporation of Puerto Rico) and twenty-three Agricultural Credit Associations.

Key ratios and data reported below, and in the accompanying financial statements, address the financial performance of the District in more detail. The six months' results of operations may not be indicative of an entire year due to the seasonal nature of a portion of the District's assets.

## FINANCIAL CONDITION

### *Loan Portfolio*

Gross loan volume at June 30, 2005 was \$15.6 billion, an increase of \$741.5 million, or 5.00 percent as compared to December 31, 2004, and an increase of \$1.1 billion or 7.80 percent compared to June 30, 2004. The general economy remains strong, with continued high demand for country lifestyle properties. Additionally, AgFirst and the District Associations have executed aggressive marketing plans, calling on referral sources throughout the country. As a result, loan volume and asset quality continue to trend higher.

Nonaccrual loan assets for the combined District at June 30, 2005 were 0.55 percent of total loans outstanding as compared to 0.69 percent at December 31, 2004 and 0.81 percent at June 30, 2004. Loan classifications as of June 30, 2005 remained relatively stable compared to December 31, 2004 and June 30, 2004, as illustrated in the following chart:

<b>Asset Quality as of:</b>			
<b>Classification</b>	<b>June 30, 2005</b>	<b>December 31, 2004</b>	<b>June 30, 2004</b>
Acceptable	95.15%	94.50%	93.42%
OAEM *	3.21%	3.32%	4.10%
Substandard	1.43%	1.99%	2.38%
Doubtful/loss	.21%	0.19%	.10%

\* Other Assets Especially Mentioned

The allowance for loan losses at June 30, 2005 of \$94.1 million, or 0.60 percent of gross loan volume, reflects management's estimate of losses inherent in the portfolio. By comparison, the allowance for losses at December 31, 2004 was \$95.4 million, or 0.64 percent of gross loan volume. See Note 2, *Allowance for Loan Losses*, in the Notes to the Combined Financial Statements.

#### *Liquidity and Funding Sources*

As of June 30, 2005, AgFirst and all District Associations exceeded all applicable liquidity requirements. Cash, cash equivalents and investment securities totaled \$4.0 billion or 20.00 percent of total assets at June 30, 2005, compared to \$3.8 billion or 20.08 percent as of December 31, 2004. Except as noted below, all investment securities were classified as being available-for-sale. At June 30, 2005, AgFirst had 195 days of liquidity coverage as defined by the System's common liquidity policy.

The investment securities at June 30, 2005 included \$202.5 million in investments classified as being held-to-maturity. In this group of held-to-maturity investments were \$164.2 million in Rural Housing Mortgage-backed Securities (RHMS) purchased under a mission-related investment pilot program approved by the Farm Credit Administration (FCA). This investment pilot program is intended to create more demand for rural housing loans by providing an incentive to lenders to create RHMS for sale in the secondary market. Creating demand for rural housing loans should result in more cost-effective, market priced credit to homeowners in rural America. At June 30, 2005, AgFirst also had commitments to purchase an additional \$426.1 million in RHMS in July 2005.

On July 14, 2005 FCA Board approved a final rule which, among other things, increased minimum liquidity reserve requirements and increased eligible investment limits for System institutions. The rule will become effective 30 days after publication in the Federal Register during which either or both Houses of Congress are in session.

The primary source of funds for the District is the issuance of Systemwide Debt securities through the Federal Farm Credit Banks Funding Corporation. At June 30, 2005, AgFirst had \$16.3 billion in total debt outstanding compared to \$15.4 billion at December 31, 2004. In addition, other interest-bearing liabilities for AgFirst included \$225.0 million in Mandatorily Redeemable Preferred Stock (MRPS) for the same periods. Total interest-bearing liabilities increased primarily due to the increase in loan and investment volume previously mentioned.

#### *Capital Resources*

Total District shareholders' equity increased \$106.1 million from December 31, 2004 to June 30, 2005. The increase was primarily the result of \$183.5 million in net income, offset by a net reduction in stock and participation certificates of \$3.2 million, retirements of protected borrower equity of \$2.1 million, retirements of surplus of \$53.7 million, dividends paid of \$5.5 million, and patronage distributions of \$9.8 million.

As of June 30, 2005, AgFirst and each of the District Associations exceeded the minimum permanent capital, core surplus, total surplus and net collateral ratio requirements established by the Farm Credit Administration Regulations.

## RESULTS OF OPERATIONS

### *Net Interest Income*

Net interest income for the three months ended June 30, 2005 was \$150.9 million, an increase of \$9.1 million or 6.40 percent compared to the three months ended June 30, 2004. Net interest income for the six months ended June 30, 2005 was \$295.4 million, an increase of \$14.1 million or 5.00 percent compared to the same period ended June 30, 2004. The increases in net interest income for the three months and six months ended June 30, 2005 can be attributed to increases in loan volume and an increase in interest rates.

### *Provision for Loan Losses*

The provision/(reversal) for loan losses for the three and six months ended June 30, 2005 was \$283 thousand and (\$982 thousand), respectively, compared to a provision expense of \$112 thousand and \$262 thousand, respectively, for the same periods in 2004. The provision reversal for the six months ended June 30, 2005 was due primarily to further refinement of the Associations' methodologies and the settlement of a participation loan in the AgFirst portfolio.

### *Noninterest Income*

Noninterest income for the three months ended June 30, 2005 was \$16.3 million, which reflected an increase of \$3.9 million as compared to the same period in 2004. The 2005 quarter-to-date increase in noninterest income was primarily the result of a gain on the sale of mortgage servicing assets of \$1.6 million and gains on the sale of rural home loans of \$797 thousand in the second quarter 2005, compared to a (\$1.9) million loss for the second quarter of 2004. Also contributing to the increase was gains on investments, which increased \$193 thousand. Offsetting these increases were decreases in loan fees of \$417 thousand, fees for financially related services of \$129 thousand, and other noninterest income of \$133 thousand.

For the six months ended June 30, 2005, noninterest income was \$28.8 million, which reflected an increase of \$317 thousand compared to the same period in 2004. Gains on the sale of rural home loans increased \$3.0 million. The above mentioned gain on sale of secondary mortgage market servicing assets of \$1.6 million also contributed to the increase over 2004. In addition, the improvement in noninterest income included increases in fees for financially related services of \$37 thousand and in realized gains on investments of \$280 thousand. Offsetting the increase for 2005 was a \$103 thousand decrease in loan fee income and a gain in 2004 on the sale of the Farm Credit Leasing Corporation stock of \$3.8 million.

### *Noninterest Expense*

Noninterest expense for the three months ended June 30, 2005 was \$71.7 million, a decrease of \$775 thousand as compared to the corresponding period in 2004. The decrease was primarily attributed to the fact that no ACA restructuring charges were expensed in 2005, compared to \$2.8 million ACA restructuring expenses recorded in the second quarter of 2004. In addition, the District experienced a \$2.0 million reduction in Insurance Fund premium. There were additional decreases in Intra-System Financial Assistance Corporation (FAC) expenses of \$297 thousand and in other noninterest expense of \$190 thousand. Offsetting these decreases were increases in salaries and employee benefits of \$1.5 million, in occupancy and equipment of \$543 thousand, and in other operating expenses of \$2.5 million.

For the six months ended June 30, 2005, noninterest expense was \$141.4 million, which reflected a decrease of \$1.7 million. The decrease was primarily attributed to decreases in Insurance Fund premium of \$4.0 million, ACA restructuring charges of \$3.6 million, called debt expense of \$1.7 million, Intra-System financial assistance expenses of \$87 thousand, and other noninterest expense of \$123 thousand. Offsetting these decreases were increases in salaries and benefits of \$2.7 million, occupancy and equipment of \$859 thousand, and other operating expenses of \$4.2 million.

*Provision for Income Taxes*

The provision for income taxes for the three and six months ended June 30, 2005 was \$186 thousand and \$256 thousand, respectively, compared to \$79 thousand and \$416 thousand, respectively, for the same periods in 2004. The year-to-date decrease in the tax provision was primarily attributable to the reorganization of two ACAs to become Holding Company entities with Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries. The resulting FLCA subsidiaries are exempt from taxation.

***Key results of operations comparisons:***

	<b>Annualized for the six months ended June 30, 2005</b>	<b>For the year ended December 31, 2004</b>
Return on Average Assets	1.93%	2.96% *
Return on Average Shareholders' Equity	12.06%	19.31% *
Net Interest Income as a Percentage of Average Earning Assets	3.17%	3.16%
Chargeoffs, Net of (Recoveries), to Average Loans	.005%	0.05%

\* *The return on average assets and the return on average shareholders' equity was higher for the year ended December 31, 2004 due to the \$215 million loan loss reversal in the fourth quarter of 2004 that resulted from a change in allowance methodologies. Before the \$215 million loan loss reversal, the return on average assets was 1.77% and the return on average shareholders' equity was 11.54%.*

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**NOTE:** Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 378, or writing Jay Wise, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, [www.agfirst.com](http://www.agfirst.com). AgFirst prepares a quarterly report within 45 days after the end of each fiscal quarter, except that no quarterly report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

## Combined Balance Sheets

<i>(dollars in thousands)</i>	<b>June 30, 2005</b>	<b>December 31, 2004</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 455,222	\$ 522,862
Investment securities	3,534,315	3,290,967
Loans	15,577,825	14,836,278
Less: allowance for loan losses	94,072	95,419
Net loans	15,483,753	14,740,859
Accrued interest receivable	169,519	131,402
Investments in other Farm Credit System institutions	8,381	8,229
Premises and equipment, net	102,498	96,603
Other property owned	3,634	3,433
Deferred tax assets, net	2,788	2,229
Other assets	193,832	198,832
Total assets	<b>\$ 19,953,942</b>	<b>\$ 18,995,416</b>
<b>Liabilities</b>		
Bonds and notes	\$ 16,286,169	\$ 15,402,385
Mandatorily redeemable preferred stock	225,000	225,000
Accrued interest and dividend payable	86,612	65,854
Dividends and patronage refunds payable	10,976	81,607
Postretirement benefits other than pensions	97,441	92,970
Other liabilities	142,027	127,955
Total liabilities	16,848,225	15,995,771
Commitments and contingencies	—	—
<b>Shareholders' Equity</b>		
Perpetual preferred stock	150,000	150,000
Protected borrower equity	8,007	10,123
Capital stock and participation certificates	122,075	125,089
Retained earnings		
Allocated	797,937	849,626
Unallocated	2,028,833	1,861,476
Accumulated other comprehensive income	(1,135)	3,331
Total shareholders' equity	3,105,717	2,999,645
Total liabilities and equity	<b>\$ 19,953,942</b>	<b>\$ 18,995,416</b>

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

# Combined Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2005	2004	2005	2004
<b>Interest Income</b>				
Investment securities	\$ 32,480	\$ 16,425	\$ 61,947	\$ 31,548
Loans	248,127	198,251	477,605	394,416
Total interest income	280,607	214,676	539,552	425,964
<b>Interest Expense</b>				
	129,748	72,888	244,138	144,623
Net interest income	150,859	141,788	295,414	281,341
Provision for (reversal of) loan losses	283	112	(982)	262
Net interest income after provision for loan losses	150,576	141,676	296,396	281,079
<b>Noninterest Income</b>				
Loan fees	10,317	10,734	19,083	19,186
Fees for financially related services	909	1,038	1,986	1,949
Realized gains (losses) on investments, net	272	79	372	92
Gain on sale of rural home loans	797	(1,936)	1,453	(1,499)
Gain on sale of mortgage servicing assets	1,631	—	1,631	—
Other noninterest income	2,329	2,462	4,283	8,763
Total noninterest income	16,255	12,377	28,808	28,491
<b>Noninterest Expenses</b>				
Salaries and employee benefits	45,172	43,686	89,737	87,034
Occupancy and equipment	6,656	6,113	13,274	12,415
Insurance Fund premium	1,477	3,440	2,880	6,889
Other operating expenses	16,465	14,015	30,753	26,519
Intra-System financial assistance expenses	1,369	1,666	3,233	3,320
Called debt expense	83	102	558	2,252
Restructuring charge	—	2,785	—	3,592
Other noninterest expense	497	687	964	1,087
Total noninterest expenses	71,719	72,494	141,399	143,108
Income before income taxes	95,112	81,559	183,805	166,462
Provision (benefit) for income taxes	186	79	256	416
Net income	\$ 94,926	\$ 81,480	\$ 183,549	\$ 166,046

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

# Combined Statements of Changes in Shareholders' Equity

(unaudited)

<i>(dollars in thousands)</i>	Perpetual Preferred Stock	Protected Borrower Equity	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Shareholders' Equity
				Allocated	Unallocated		
Balance at December 31, 2003	\$ 150,000	\$ 12,453	\$ 128,099	\$ 792,168	\$ 1,587,934	\$(108,923)	\$ 2,561,731
Comprehensive income							
Net income					166,046		166,046
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments						(6,457)	(6,457)
Change in fair value of derivative instruments						5,881	5,881
Minimum pension liability adjustment						(13)	(13)
Total comprehensive income							165,457
Protected borrower equity retired		(1,732)					(1,732)
Capital stock/participation certificates issued/retired, net			(2,331)				(2,331)
Dividends declared/paid			31		(145)		(114)
Perpetual preferred stock dividends paid					(5,475)		(5,475)
Patronage distribution							
Cash					(6,659)		(6,659)
Allocated retained earnings				1,230	(1,230)		—
Retained earnings retired				(54,327)			(54,327)
Patronage distribution adjustment				(421)	(933)		(1,354)
Balance at June 30, 2004	\$ 150,000	\$ 10,721	\$ 125,799	\$ 738,650	\$ 1,739,538	\$(109,512)	\$ 2,655,196
Balance at December 31, 2004	\$ 150,000	\$ 10,123	\$ 125,089	\$ 849,626	\$ 1,861,476	\$ 3,331	\$ 2,999,645
Comprehensive income							
Net income					183,549		183,549
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments						(9,632)	(9,632)
Change in fair value of derivative instruments						5,166	5,166
Total comprehensive income							179,083
Protected borrower equity retired		(2,116)					(2,116)
Capital stock/participation certificates issued/retired, net			(3,197)				(3,197)
Dividends declared/paid			183		(183)		—
Perpetual preferred stock dividends paid					(5,475)		(5,475)
Patronage distribution							
Cash					(9,813)		(9,813)
Allocated retained earnings				2,033	(2,033)		—
Retained earnings retired				(53,722)			(53,722)
Patronage distribution adjustment					1,312		1,312
Balance at June 30, 2005	\$ 150,000	\$ 8,007	\$ 122,075	\$ 797,937	\$ 2,028,833	\$ (1,135)	\$ 3,105,717

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

# Combined Statements of Cash Flows

(unaudited)

<i>(dollars in thousands)</i>	For the six months ended June 30,	
	2005	2004
<b>Cash flows from operating activities:</b>		
Net income	\$ 183,549	\$ 166,046
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	6,997	7,005
Provision for (reversal of) loan losses	(982)	262
(Gains) on sale of Farm Credit Leasing Corporation stock	—	(3,757)
(Gains) losses on other property owned, net	154	26
Realized (gains) losses on investments, net	(372)	(92)
Realized (gains) losses on derivatives, net	(43)	—
Realized (gains) losses on sale of mortgage servicing assets	(1,631)	—
Realized (gains) losses on mortgage loans held for sale	(1,453)	1,499
Proceeds from sale of mortgage loans held for sale	3,269	210,866
Purchases of mortgage loans held for sale (net of principal repayment)	(123,066)	(202,028)
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(38,117)	(15,564)
(Increase) decrease in investments in other Farm Credit System institutions	(152)	(435)
(Increase) decrease in deferred tax assets, net	(559)	(72)
(Increase) decrease in other assets	5,857	(2,362)
Increase (decrease) in accrued interest payable	20,758	(1,137)
Increase (decrease) in postretirement benefits other than pensions	4,471	5,990
Increase (decrease) in other liabilities	7,228	(24,299)
Total adjustments	(117,641)	(24,098)
Net cash provided by (used in) operating activities	65,908	141,948
<b>Cash flows from investing activities:</b>		
Investment securities purchased	(1,294,119)	(2,498,764)
Investment securities sold or matured	1,041,511	2,134,394
Proceeds from sale of Farm Credit Leasing Corporation stock	—	12,834
Net (increase) decrease in loans	(621,697)	(96,085)
Purchase of premises and equipment, net	(12,892)	(10,712)
Proceeds from sale of other property owned	2,279	1,282
Net cash provided by (used in) investing activities	(884,918)	(457,051)
<b>Cash flows from financing activities:</b>		
Bonds and notes issued	19,044,485	24,087,401
Bonds and notes retired	(18,147,974)	(23,656,838)
Protected borrower equity retired	(2,116)	(1,732)
Capital stock and participation certificates issued/retired, net	(3,197)	(2,331)
Patronage refunds and dividends paid	(80,631)	(65,993)
Dividends paid on perpetual preferred stock	(5,475)	(5,475)
Retained earnings retired	(53,722)	(54,327)
Net cash provided by (used in) financing activities	751,370	300,705
Net increase (decrease) in cash and cash equivalents	(67,640)	(14,398)
Cash and cash equivalents, beginning of period	522,862	494,339
Cash and cash equivalents, end of period	\$ 455,222	\$ 479,941
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Financed sales of other property owned	\$ 116	\$ 98
Loans transferred to other property owned	2,750	1,829
Patronage refund and dividends payable	9,813	6,773
Change in unrealized gains (losses) on investments, net	(9,632)	(6,457)
Change in fair value of derivative instruments	5,166	5,881
<b>Non-cash changes related to hedging activities:</b>		
Decrease (increase) in loans	\$ 32	\$ 112
Increase (decrease) in bonds and notes	(12,727)	(12,146)
Decrease (increase) in other assets	(857)	2,116
Increase (decrease) in other liabilities	8,343	9,169
<b>Supplemental information:</b>		
Interest paid	\$ 223,380	\$ 145,760
Taxes paid, net	1,252	622

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

# Notes to the Combined Financial Statements

(dollars in thousands, except as noted)

(unaudited)

## NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying combined financial statements include the accounts of AgFirst Farm Credit Bank (AgFirst) and the accounts of the District Agricultural Credit Associations (ACAs or District Associations), collectively referred to as the District, and reflect the investments in and allocated earnings of the service organizations in which AgFirst has a partial ownership interest. All significant transactions and balances between AgFirst and the District Associations have been eliminated in combination.

The significant accounting policies followed, and the financial condition and results of operations of the District as of and for the year ended December 31, 2004, are contained in the 2004 Annual Report to Stockholders. These unaudited second quarter 2005 financial statements should be read in conjunction with the 2004 Annual Report to Stockholders.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with accounting principles generally accepted in the United States of America (GAAP). The results for the six months ended June 30, 2005 are not necessarily indicative of the results to be expected for the year ending December 31, 2005.

The District maintains allowances for loan losses in accordance with GAAP. The loan portfolios are reviewed quarterly to determine the adequacy of the allowances for losses. As of June 30, 2005, the allowances for losses are adequate in management's opinion to provide for possible losses on existing loans.

## NOTE 2 — ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

Balance at December 31, 2003	\$316,735
Provision for loan losses	262
Loans (charged off), net of recoveries	<u>(3,399)</u>
Balance at June 30, 2004	<u>\$313,598</u>
Balance at December 31, 2004	\$ 95,419
Provision for (reversal of) loan losses	(982)
Loans (charged off), net of recoveries	<u>(365)</u>
Balance at June 30, 2005	<u>\$ 94,072</u>

As discussed in the 2004 Annual Report, the Bank and its affiliated Associations recorded loan loss reversals of \$215 million in the fourth quarter of 2004 that resulted from a one-time change in allowance methodologies.

**NOTE 3 — COMMITMENTS AND CONTINGENT LIABILITIES**

Under the Farm Credit Act of 1971, each System bank is primarily liable for its portion of Systemwide bond and discount note obligations. Additionally, the banks are jointly and severally liable for the bonds and notes of the other System banks. The total bonds and notes of the System were \$104.4 billion at June 30, 2005.

Actions are pending against AgFirst and/or certain District Associations in which claims for money damages are asserted. On the basis of information presently available, management and legal counsel are of the opinion that the ultimate liability, if any, resulting therefrom, would not be material in relation to the combined financial position of AgFirst and District Associations.

**NOTE 4 — EMPLOYEE BENEFIT PLANS**

The following table of the defined benefit pension plans summarizes the components of net periodic benefit costs for the six months ended June 30:

	<b>Pension Benefits</b>	
	<b>2005</b>	<b>2004</b>
Service cost	\$ 6,748	\$ 6,945
Interest cost	13,050	11,402
Expected return on plan assets	(15,811)	(11,538)
Amortization of prior service costs	317	324
Recognized net (gain) loss	6,078	6,388
Net periodic benefit cost	<u>\$ 10,382</u>	<u>\$ 13,521</u>

As of June 30, 2005, no contributions had been made for 2005 to the defined benefit plans. Actuarial projections as of the last plan measurement date (September 30, 2004) did not anticipate any contributions for 2005; however, market conditions could impact discount rates and return on plan assets which could change this expectation, making contributions necessary before the next plan measurement date.

The District also participates in a Districtwide defined contribution Thrift Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. Employer contributions were \$2.1 million and \$1.9 million as of June 30, 2005 and 2004, respectively.

In addition to providing pension benefits, AgFirst and the District Associations provide certain health care and life insurance benefits to the retired employees (other postretirement benefits). The following is a table of other postretirement benefits expenses:

	<b>Other Postretirement Benefits</b>	
	<b>2005</b>	<b>2004</b>
Service cost	\$ 1,454	\$ 1,851
Interest cost	4,287	4,623
Expected return on plan assets	—	—
Amortization of prior service costs	(141)	(92)
Recognized net (gain) loss	1,904	2,939
Net periodic benefit cost	<u>\$ 7,504</u>	<u>\$ 9,321</u>

Contributions of \$3.6 million were made to the other postretirement benefit plan during the first six months of 2005. The District anticipates contributing an additional \$2.5 million during the remainder of 2005.

The District also sponsors supplemental retirement and deferred compensation plans for certain key employees. The expenses of these plans are included in the pension and thrift plan costs above. The District contributed \$218 thousand to these plans during the first six months of 2005. The District anticipates making additional contributions of \$218 thousand to these supplemental retirement and deferred compensation plans during the remainder of 2005.

#### **NOTE 5 — BANK ONLY FINANCIAL DATA**

Condensed financial information of AgFirst Farm Credit Bank follows:

##### **Balance Sheet Data**

	<b>6/30/05</b>	<b>12/31/04</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Cash and investment securities	\$ 3,951,656	\$ 3,748,672
Loans	13,570,379	12,908,249
Less: allowance for loan losses	14,500	14,800
Net loans	13,555,879	12,893,449
Other assets	232,759	245,402
Total assets	<b>\$ 17,740,294</b>	<b>\$ 16,887,523</b>
Bonds and notes	\$ 16,286,169	\$ 15,402,385
Mandatorily redeemable preferred stock	225,000	225,000
Other liabilities	135,032	235,842
Total liabilities	16,646,201	15,863,227
Perpetual preferred stock	150,000	150,000
Capital stock and participation certificates	224,554	226,200
Retained earnings	720,275	644,366
Accumulated other comprehensive income (loss)	(736)	3,730
Total shareholders' equity	1,094,093	1,024,296
Total liabilities and equity	<b>\$ 17,740,294</b>	<b>\$ 16,887,523</b>

##### **Statement of Income Data**

(unaudited)

	<b>For the three months</b>		<b>For the six months</b>	
	<b>ended June 30,</b>		<b>ended June 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Interest income	\$ 181,037	\$ 127,658	\$ 344,757	\$ 254,161
Interest expense	129,709	72,877	244,063	144,579
Net interest income	51,328	54,781	100,694	109,582
Provision for (reversal of) loan losses	(39)	—	(610)	—
Net interest income after provision for loan losses	51,367	54,781	101,304	109,582
Noninterest expense, net	(8,305)	(11,625)	(19,916)	(19,573)
Net income	<b>\$ 43,062</b>	<b>\$ 43,156</b>	<b>\$ 81,388</b>	<b>\$ 90,009</b>