



Audit Committee Charter

Purpose and Objectives

Each standing Committee of the Board has adopted a Charter specifically outlining the Committee's responsibility, membership, meetings and specific duties. Annually, the Chairman of the Board shall appoint Board members to serve on a committee.

Role

The Audit Committee is a committee of and reports directly to the Board of Directors. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the accounting, auditing, and reporting practices of the Bank, and such other duties as directed by the Board. The Committee's purpose is to oversee the:

- Accounting and financial reporting processes of the Bank
- Audits of the Bank's financial statements
- Qualifications of the public accounting firm engaged as the Bank's independent auditor to prepare or issue an integrated opinion on the Bank's financial statements and Internal Controls over Financing Reporting (ICFR)
- Performance of the Bank's internal audit function and independent auditor

The Audit Committee is also responsible for review of the Farm Credit Administration (FCA) examination results. Consistent with this function, the Audit Committee encourages continuous improvement of and fosters adherence to the Bank's policies, executive directives, and practices at all levels.

Authority

The Audit Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants for the Committee's use, as it deems appropriate, including sole authority to

approve related fees and other retention terms, subject to any regulatory or statutory limitations that may be in effect. A two-thirds majority vote of the full Board is required to deny an Audit Committee request for resources. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention. The Committee will have full access to the Bank's books, records, facilities, and personnel. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Bank, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

Composition

The Audit Committee shall be comprised of at least three directors as determined by the Board, each of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Members of the Committee should be knowledgeable in at least one of the following: public and corporate finance, financial reporting and disclosure, or accounting procedures. At least one member of the Committee must be a Board-designated financial expert (see Director Qualifications, Training and Evaluation Policy, "Director Composition Requirements").

The Chairman and members of the Committee shall be appointed by the Chairman of the Board at the annual organizational meeting of the Board and shall typically serve until their successors shall be duly selected and qualified. Committee members shall abide by all Bylaws, policies, procedures, and FCA regulations regarding membership, attendance and conduct. Committee members may be removed at any time, with or without cause, by the Board Chair.

Communications

The Committee is expected to maintain free and open communication with the independent auditor, the Audit Services department, and management. The Committee will also have full access to all significant communications between the independent auditors and management. In addition, the Committee Chair as well as any Board-designated financial expert(s) shall have free and unhindered access to the Chief Financial Officer and Controller of the Bank at all times. Any information obtained in these meetings shall be fully shared with all members of the Audit Committee.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its role to foster open communication, the Committee shall meet as often as needed, but at least once per year with management and the independent auditors and generally at each standard Committee meeting with the Chief Audit Executive, in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed. The Committee will also, as needed, meet in executive session with committee members only. The Committee will cause to be kept adequate minutes of its proceedings, including attendance, and will report on its actions and activities to the full Board of Directors and to the Farm Credit System Audit Committee. Minutes shall note any agreement or disagreement with any Bank policy, procedure, letter or report that has been reviewed. Members of the Committee will be furnished with copies of meeting minutes at the next scheduled meeting of the Committee.

The Audit Committee will conduct a self-evaluation annually. Results of this self-evaluation shall be presented to the Board and used to determine training needs and opportunities for strengthening the effectiveness of the Committee.

Responsibilities

The independent auditor reports directly to the Committee, and the Committee is responsible for reviewing the work of the independent auditor. The Committee has authority to appoint or replace the independent auditor and to approve the fees and terms under which the independent auditor is engaged for the ensuing fiscal year. The Committee must also pre-approve any audit and non-audit services provided to the Bank by the independent auditor. The Committee will evaluate annually the qualifications and independence of the independent auditor, including that of the lead partner. This evaluation will include receipt of a written report (timing and frequency as determined by the Audit Committee) from the independent auditor describing all relationships between the independent auditor and the Bank, including all services provided and associated fees.

The Chief Audit Executive (CAE) reports directly to the Committee, and the Committee is responsible for overseeing the performance of the Bank's Audit Services department. The Committee has authority to appoint or discharge the CAE and is responsible for approving the CAE's annual performance evaluation and compensation.

In addition, the Committee has other specific responsibilities in carrying out its oversight role which are delineated in the Audit Committee Responsibilities Calendar. The Responsibilities Calendar will be reviewed and updated at least annually to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. The most recently approved Responsibilities Calendar will serve as an addendum to this Charter.

It is not the duty of the Committee to plan or conduct audits, to determine the Bank's financial statements are complete and accurate and in accordance with accounting principles generally accepted in the United States of America, to establish an adequate system of internal controls or to perform any other responsibility of Bank management. The Committee oversees the work of others to assure compliance with laws and regulations or the Bank's standards of business conduct, code of ethics, internal policies, procedures, and controls.

Authorities Retained for Board Approval or Action

Amendments and modifications to this policy must be approved by the Board.