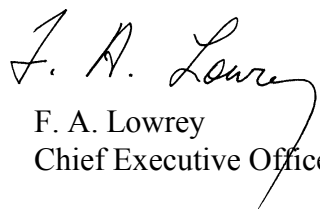



THIRD QUARTER 2000

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F. A. Lowrey
Chief Executive Officer


William S. Jackson
Chairman of the Board

October 27, 2000

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2000	December 31, 1999
	<i>(unaudited)</i>	
Assets		
Cash and cash equivalents	\$ 217,975	\$ 342,874
Investment securities	1,967,147	2,101,764
Loans	9,121,008	8,572,817
Less: allowance for loan losses	20,416	19,466
Net loans	9,100,592	8,553,351
Accrued interest receivable	69,652	61,762
Investments in other Farm Credit System institutions	77,843	77,799
Premises and equipment, net	8,432	5,805
Other assets	34,876	47,778
Total assets	<u>\$ 11,476,517</u>	<u>\$ 11,191,133</u>
Liabilities		
Bonds and notes	\$ 10,598,054	\$ 10,327,067
Accrued interest payable	130,810	114,803
Other liabilities	28,326	100,884
Total liabilities	<u>10,757,190</u>	<u>10,542,754</u>
Commitments and contingent liabilities		
Members' Equity		
Capital stock and participation certificates	301,188	300,088
Retained earnings	425,993	359,325
Accumulated other comprehensive income (loss)	(7,854)	(11,034)
Total members' equity	<u>719,327</u>	<u>648,379</u>
Total liabilities and members' equity	<u>\$ 11,476,517</u>	<u>\$ 11,191,133</u>

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

Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2000	1999	2000	1999
Interest Income				
Investment securities and other	\$ 38,304	\$ 28,971	\$ 109,531	\$ 80,938
Loans	164,148	143,760	458,700	419,602
Total interest income	202,452	172,731	568,231	500,540
Interest Expense	168,184	136,107	468,183	391,663
Net interest income	34,268	36,624	100,048	108,877
Provision for loan losses	1,500	2,000	1,500	4,050
Net interest income after provision for loan losses	32,768	34,624	98,548	104,827
Noninterest Income				
Loan fees	1,037	819	3,133	3,582
Gains (losses) from other property owned, net	—	(2)	—	(2)
Realized gains (losses) on investments, net	—	2	—	(2)
Miscellaneous	58	127	866	2,015
Total noninterest income	1,095	946	3,999	5,593
Noninterest Expenses				
Salaries and employee benefits	3,647	3,660	11,413	11,285
Occupancy and equipment	1,820	1,017	4,569	3,314
Insurance Fund premium	—	126	11	720
Other operating expenses	1,565	2,600	5,986	7,202
Intra-System financial assistance expenses	6,389	3,899	13,837	23,539
Miscellaneous	16	22	63	626
Total noninterest expenses	13,437	11,324	35,879	46,686
Income before income taxes	20,426	24,246	66,668	63,734
Provision for income taxes	—	—	—	—
Net income	\$ 20,426	\$ 24,246	\$ 66,668	\$ 63,734

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

Consolidated Statements of Changes in Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 1998	\$305,406	\$ 329,305	\$ (6,085)	\$ 628,626
Comprehensive income				
Net income		63,734		63,734
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments			(3,737)	<u>(3,737)</u>
Total comprehensive income				59,997
Capital stock/participation certificates issued/retired, net	<u>(2,165)</u>			<u>(2,165)</u>
Balance at September 30, 1999	<u>\$303,241</u>	<u>\$ 393,039</u>	<u>\$ (9,822)</u>	<u>\$ 686,458</u>
Balance at December 31, 1999	\$ 300,088	\$ 359,325	\$ (11,034)	\$ 648,379
Comprehensive income				
Net income		66,668		66,668
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments			3,180	<u>3,180</u>
Total comprehensive income				69,848
Capital stock/participation certificates issued/retired, net	<u>1,100</u>			<u>1,100</u>
Balance at September 30, 2000	<u>\$ 301,188</u>	<u>\$ 425,993</u>	<u>\$ (7,854)</u>	<u>\$ 719,327</u>

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

Consolidated Statements of Cash Flows

(unaudited)

<i>(dollars in thousands)</i>	For the nine months ended September 30,	
	2000	1999
Cash flows from operating activities:		
Net income	\$ 66,668	\$ 63,734
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	1,663	1,437
Provision for loan losses	1,500	4,050
(Gains) losses on other property owned, net	—	2
Realized (gains) losses on investments, net	—	2
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(7,890)	(2,310)
(Increase) decrease in investments in other Farm Credit System institutions	(44)	(6,396)
(Increase) decrease in other assets	12,902	7,187
Increase (decrease) in accrued interest payable	16,007	31,799
Increase (decrease) in other liabilities	(72,558)	(51,293)
Total adjustments	(48,420)	(15,522)
Net cash provided by operating activities	18,248	48,212
Cash flows from investing activities:		
Investment securities purchased	(1,701,923)	(1,647,848)
Investment securities sold or matured	1,839,720	1,457,992
Net (increase) decrease in loans	(548,741)	(374,421)
Purchase of premises and equipment, net	(4,290)	(1,885)
Proceeds from sale of other property owned	—	118
Net cash used in investing activities	(415,234)	(566,044)
Cash flows from financing activities:		
Bonds and notes issued	18,438,401	30,110,469
Bonds and notes retired	(18,167,414)	(29,511,256)
Capital stock and participation certificates issued/retired, net	1,100	(2,165)
Net cash provided by financing activities	272,087	597,048
Net increase (decrease) in cash and cash equivalents	(124,899)	79,216
Cash and cash equivalents, beginning of period	342,874	306,914
Cash and cash equivalents, end of period	\$ 217,975	\$ 386,130
Supplemental schedule of non-cash investing and financing activities:		
Change in unrealized gains (losses) on investments, net	\$ 3,180	\$ (3,737)
Supplemental information:		
Interest paid	\$ 452,176	\$ 359,864

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of *AgFirst Farm Credit Bank (AgFirst)* and the accounts of the Farm Credit Finance Corporation of Puerto Rico (the Finance Corporation), a wholly owned subsidiary (collectively referred to as the Bank). All significant transactions and balances among the Bank and the Finance Corporation have been eliminated in consolidation.

The significant accounting policies followed and the financial condition and results of operations of the Bank as of and for the year ended December 31, 1999, are contained in the 1999 Annual Report. These unaudited third quarter financial statements should be read in conjunction with the 1999 Annual Report.

In June 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 138, an amendment of Statement No. 133. This Statement amends the accounting and reporting for certain derivative instruments and certain hedging activities. FASB Statement No. 133, as amended, requires derivatives to be reported on the balance sheet as assets and liabilities, measured at fair value. Changes in the values of those derivatives will be accounted for as gains or losses or as a component of other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The impact on the Bank of adopting this Standard is not expected to be material.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results for the nine months ended September 30, 2000 are not necessarily indicative of the results to be expected for the year ending December 31, 2000.

The Bank maintains an allowance for loan losses in accordance with generally accepted accounting principles. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of September 30, 2000, the allowance for losses was 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 12-31-98	\$ 12,467
Provision for loan losses	4,050
Loans (charged off), net of recoveries	<u>(51)</u>
Balance at 9-30-99	<u>\$ 16,466</u>
Balance at 12-31-99	\$ 19,466
Provision for loan losses	1,500
Loans (charged off), net of recoveries	<u>(550)</u>
Balance at 9-30-00	<u>\$ 20,416</u>

NOTE 3 — OTHER COMPREHENSIVE INCOME

The following represents the reclassification amount:

	For the nine months ended September 30,	
	<u>2000</u>	<u>1999</u>
Unrealized holding gains (losses) arising during the period	\$ 3,180	\$(3,739)
Less: reclassification adjustment for gains (losses) included in net income	<u>—</u>	<u>(2)</u>
Net unrealized gains (losses) on investments	<u>\$ 3,180</u>	<u>\$(3,737)</u>

NOTE 4 — 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 contingently liable for the systemwide obligations of the System banks.