FIRST QUARTER 2009

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2009 quarterly report of AgFirst Farm Credit Bank and District Associations, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and 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.

Paul M. House
Chairman of the Board

F. A. Lowrey
Chief Executive Officer

Charl L. Butler
Chief Financial Officer

May 1, 2009

Report on Internal Control Over Financial Reporting

AgFirst Farm Credit Bank (Bank) and each affiliated District Agricultural Credit Association's (District Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Bank and each District Association's respective Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Bank and each District Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the respective Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank and each District Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Bank and each District Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank and each District Association's assets that could have a material effect on its Consolidated Financial Statements.

The Bank and each District Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2009. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Bank and each District Association concluded that as of March 31, 2009, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Bank and each District Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2009.

F. A. Lowrey

F.A. Lowrey
Chief Executive Officer

Charl L Butler

Charl L. Butler
Chief Financial Officer

May 1, 2009

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

The following discussion reviews the combined financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst or Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the District, for the three month period ended March 31, 2009. These comments should be read in conjunction with the accompanying financial statements, the Notes to the Financial Statements, and the 2008 Annual Report of AgFirst Farm Credit Bank and District Associations. The accompanying combined financial statements were prepared under the oversight of the Audit Committee of the AgFirst Board of Directors.

As of March 31, 2009, the District consisted of AgFirst and twenty-two District Associations. Key ratios and data reported below, and in the accompanying financial statements, address the financial performance of the District. However, the three months' results of operations may not be indicative of an entire year due to the seasonal nature of a portion of the District's business.

FINANCIAL CONDITION

Loan Portfolio

Total loans outstanding were $22.949 billion at March 31, 2009, a decrease of $128.7 million, or 0.56 percent, compared to total loans outstanding at December 31, 2008. For the last several years leading up to and including most of 2008, loan demand for the District was very strong. This trend changed in late 2008 and loan demand slowed dramatically. The marked decrease in loan demand continued into the first quarter of 2009, leading to the decrease in total loans outstanding over that period.

The downturn in the general economy has served to weaken overall loan demand. In a number of cases, farmers have delayed planting decisions as they continue to assess anticipated market conditions that will affect the ultimate prices they will receive for their 2009 harvests. Future loan demand is difficult to predict, although the growth rate of the loan portfolio is anticipated to remain at a very moderate level for at least the remainder of 2009.

Credit quality at March 31, 2009 reflected some deterioration compared to prior reporting periods as shown in the table below, although the overall credit quality of the loan portfolio continued to be satisfactory. The increased volatility in the financial markets, farm commodity price levels, and the generally weaker economy have affected the overall farm sector and some of the District's customers. The pace of loans migrating to more adverse classifications continued in the first quarter of 2009. Some additional deterioration is expected.

Credit Quality as of:			
Classification	**March 31, 2009**	**December 31, 2008**	**March 31, 2008**
Acceptable	90.05%	92.23%	95.79%
OAEM *	5.34%	3.88%	2.67%
Substandard	4.57%	3.89%	1.52%
Doubtful/loss	0.04%	0.00%	0.02%

* *Other Assets Especially Mentioned*

Credit deterioration was primarily in those agricultural sectors that continue to be impacted most by the volatility in commodity prices, such as the livestock, poultry, dairy, and ethanol sectors. In addition to the negative impact of the decline in the general economy, these sectors have experienced decreases in revenue from lower commodity prices and increases in farm input costs, particularly for borrowers who purchased crops at elevated prices in 2008 for future production.

The recession in the general economy and resulting higher rate of unemployment could potentially compromise the credit quality of part-time farmers. Many borrowers who have historically had stable income from non-farm sources such as stock portfolios and capital gains income from traded assets have seen dramatic reductions in these income sources. The District is routinely reevaluating the credit-worthiness of these borrowers. Continued weakness in the general economy is one of the factors that could further credit quality deterioration during the remainder of 2009.

Loan portfolio credit quality was also adversely affected by deteriorating economic conditions in certain geographic areas included in the District's footprint, particularly Florida. The Florida economy slowed after an extended period of significant growth for many years led by increasing real estate values and net population inflows. In 2008, real estate values declined, population growth slowed, and housing foreclosures increased. These conditions continued into the first quarter of 2009.

Credit quality deterioration has been driven in large part by the generally higher input costs for meat production and ethanol customers. Higher fuel costs in 2008 adversely impacted all producers. Higher feed costs were problematic for the livestock and poultry industries, which caused significant stress on some borrowers and contributed to the credit quality deterioration in the latter half of 2008. The overall level of stress being experienced by borrowers continued to be elevated in the first quarter of 2009. Recently, certain commodity prices, including oil and grain, have declined significantly, providing better opportunity for positive earnings in the meat production segments for the remainder of 2009. However, industries tied to housing, such as forestry, sawmills, sod, and landscape nurseries, continue to be impacted by the declining housing construction activity and weakness in the general economy. The global economic slowdown could create less demand for agricultural exports. Declining exports and the negative factors discussed above, could impact the profitability of production agriculture for the remainder of the year.

The ethanol industry has experienced stress due to rapidly changing commodity prices, especially corn, declining fuel consumption, and excess production capacity. This combination of factors has forced a number of ethanol producers into bankruptcy and is resulting in consolidation in the industry. The Bank had $78.1 million of loans outstanding and $16.0 million of commitments to lend to ethanol related customers at March 31, 2009. District Associations' total exposure to the ethanol industry at March 31, 2009 included $156.9 million of loans outstanding and $23.9 million of commitments to extend credit. During the first quarter of 2009, the Bank recognized $8.0 million of provision expense and charged off $25.7 million against reserves related to loans in its ethanol portfolio. At March 31, 2009, the Bank had a reserve allowance of $480 thousand related to ethanol credit exposure. The Associations also had total reserves of $7.8 million for loans in their ethanol portfolio at March 31, 2009. The Associations recorded $5.1 million of provision expense and $1.7 million of charge-offs against reserves related to ethanol for the first quarter of 2009.

The District employs a number of risk management techniques to limit credit exposures, such as the adoption of underwriting standards, individual borrower exposure limits based on risk ratings, commodity exposure limits, and limits on the amounts of loans purchased from a single originator. The portfolio is diversified both geographically and on a commodity basis. Concentration risk throughout the portfolio is mitigated through established maximum hold positions to a single borrower and to a single commodity. Overall, credit quality for the District has declined as reflected by past-due loans, asset quality, and non-earning assets. The possibility exists for future deterioration as mentioned above.

Nonaccrual Loans and Allowance for Loan Losses

Nonaccrual loan assets for the combined District at March 31, 2009, were 2.81 percent of total loans outstanding compared to 2.39 percent at December 31, 2008. A loan is classified nonaccrual when there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans increased $92.6 million from December 31, 2008 to March 31, 2009 primarily due to seven borrower relationships totaling $80.4 million, or 86.83 percent of the total increase, transferred to nonaccrual in 2009.

The District maintains an allowance for loan losses at a level management considers adequate to provide for probable and estimable credit losses within the loan and finance lease portfolios. The District increases the allowance by recording a provision for loan losses in the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan or lease is uncollectible. Any subsequent recoveries are added to the allowance. Managements' evaluations consider factors which include, among other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions. The allowance for loan losses was $153.3 million, or 0.67 percent of gross loan volume, at March 31, 2009. By comparison, the allowance for losses at December 31, 2008 was $169.1 million, or 0.73 percent of gross loan volume. The decrease in the allowance for the three month period of $15.8 million was primarily due to $53.2 million in charge-offs for loan amounts determined to be uncollectible, partially offset by additional reserves of $36.9 million for nonaccrual loans, as discussed above. The allowance at March 31, 2009 included specific reserves and general reserves. The market segments of the portfolio were reviewed, and particularly stressed segments were identified. Loans in those segments, excluding any loans on which specific reserves had been established, were analyzed collectively and risk rating and potential for loss given default factors were stressed. The general reserves were established based on that collective analysis and stress testing results. See Note 3, *Allowance for Loan Losses and Impaired Loans*, in the Notes to the Combined Financial Statements.

Liquidity and Funding Sources

AgFirst and the District Associations maintain adequate liquidity to satisfy the District's daily cash needs. In addition to normal cash flow associated with lending operations, the District has two primary sources of liquidity: 1) investments, including its available-for-sale portfolio, and 2) the capacity to issue Systemwide Debt Securities through the Federal Farm Credit Banks Funding Corporation. The Bank also maintains several lines of credit with commercial banks, as well as securities repurchase agreement facilities. Providing liquidity for the District's operations is primarily the responsibility of the Bank.

At March 31, 2009, the District had $28.079 billion in total debt outstanding compared to $28.253 billion at December 31, 2008. In addition, other interest-bearing liabilities for the District included $225.0 million in Bank Mandatorily Redeemable Preferred Stock in both periods. Total interest-bearing liabilities decreased slightly primarily due to the moderation in loan volumes as discussed in this report. Despite the recent adversity in the financial debt markets, the Bank continues to have adequate access to funding through the issuance of Farm Credit System debt.

AgFirst obtained a $150.0 million committed line of credit facility in 2008 from its primary commercial depository bank. The line of credit is tied to AgFirst's master cash management clearing account.

Cash, cash equivalents and investment securities totaled $8.688 billion, or 26.80 percent of total assets at March 31, 2009, compared to $8.483 billion, or 26.17 percent, as of December 31, 2008. Investment securities increased $1.192 billion compared to March 31, 2008. This increase is primarily related to the growth of total loans as management maintained the investment securities portfolio size generally in line with loan growth in order to maintain adequate liquidity.

As of March 31, 2009, AgFirst exceeded all applicable regulatory liquidity requirements. FCA regulations require a liquidity policy that establishes a minimum "coverage" level of 90 days. "Coverage" is defined as the number of days that maturing debt could be funded through the sale of eligible available-for-sale investments, cash, and other highly liquid assets maintained by the Bank. At March 31, 2009, AgFirst's coverage was 168 days. Cash provided by the Bank's operating activities, primarily generated from net interest income in excess of operating expenses, is an additional source of liquidity for the Bank that is not reflected in the coverage calculation of 168 days.

Investment securities classified as being held-to-maturity totaled $1.816 billion at March 31, 2009. These held-to-maturity investments were primarily Rural Housing Mortgage-Backed Securities purchased under a Mission-Related Investment pilot program approved by the FCA in 2005.

Investment securities classified as being available-for-sale totaled $6.649 billion at March 31, 2009. Total net unrealized losses relating to these securities decreased $56.7 million during the first quarter of 2009 to a total of $300.8 million at March 31, 2009. These net unrealized losses are reflected in Accumulated Other Comprehensive Income (AOCI) in the Combined Financial Statements. The net unrealized losses are primarily attributed to the market dislocation and illiquidity stemming from adversity in the subprime mortgage market. Available-for-sale investments at March 31, 2009 included $4.395 billion in Agency Collateralized Mortgage Obligations (CMOs), $1.772 billion in Agency Adjustable Rate Mortgages, $399.6 million in non-agency CMOs, and $82.7 million in asset-backed securities. The Bank also recognized credit-related losses of $5.5 million for other-than-temporary impairment on two asset-backed securities and two non-agency CMO securities in its portfolio as discussed below, which reduced net income.

District available-for-sale asset-backed securities totaled $82.7 million at March 31, 2009. The District has low exposure to investments backed by subprime mortgages. Asset-backed securities with subprime exposure were in the Bank's portfolio only and totaled $68.3 million, which represented 1.03 percent of the District's available-for-sale liquidity investment portfolio and 0.81 percent of the total investment security portfolio at March 31, 2009. The amortized cost of these particular investment securities totaled $110.3 million and the market value adjustment decrease for asset-backed securities of $42.0 million was included in the total $300.8 million of net unrealized losses reflected in AOCI at March 31, 2009 as discussed above. The District's total asset-backed securities rated above the minimum for investment grade (BBB-/ Baa3) by the Nationally Recognized Statistical Rating Organizations (NRSROs) at March 31, 2009, totaled $63.6 million (amortized cost value of $98.4 million). The District's asset-backed securities rated below the minimum for investment grade by the NRSROs were in the Bank's portfolio only and totaled $19.1 million (amortized cost value of $26.1 million) at March 31, 2009. Despite the uncertainty in the mortgage securities markets, which has adversely impacted the market value of all asset-backed securities, these securities continue to perform. All of the District's asset-backed securities have credit enhancement features, which may include over-collateralization, the subordination of other security traunches, and/ or protection provided by a monoline insurance provider.

Non-agency CMO's have also experienced significant market pricing volatility. District non-agency CMOs totaled $399.6 million, which represented 6.01 percent of the available-for-sale liquidity investment portfolio and 4.72 percent of the total investment security portfolio at March 31, 2009. The amortized cost of these investment securities totaled $547.6 million and the market value adjustment decrease for non-agency CMOs of $148.0 million was included in the total $300.8 million of net unrealized losses reflected in AOCI at March 31, 2009 as discussed above. The District's non-agency CMO securities not rated in the highest category (AAA/Aaa) by at least one of the NRSROs at March 31, 200 were in the Bank's portfolio only and had a total fair value of $22.7 million and an amortized cost of $32.2 million.

The Farm Credit Administration (FCA) considers asset-backed and mortgage-backed investment securities rated below AAA/Aaa by the NRSROs to be ineligible and requires System institutions to divest of such investments. However, System institutions may seek approval to continue to hold these investments. There were no ineligible securities held by the Associations at March 31, 2009. For each of the investment securities in the Bank's portfolio at March 31, 2009 rated below AAA/ Aaa (total amortized cost of $128.1 million and fair value of $78.5 million), the Bank has developed and submitted plans for approval by the FCA that provide that the securities may be held to maturity. The FCA has approved with conditions the Banks' plans for all but one, which the FCA is still in the process of reviewing. For purposes of the permanent capital, total surplus, and core surplus regulatory ratios, certain Bank ineligible securities at March 31, 2009 are risk weighted 100 percent instead of the standard 20 percent in calculating the risk adjusted assets amount. These ineligible securities had a fair value of $34.3 million and amortized cost of $58.5 million. Other ineligible securities which must be deducted completely from both capital and risk adjusted assets, based on the extent of its below investment grade rating from NRSROs, had a fair value of

$44.1 million and amortized cost of $69.6 million at March 31, 2009. For purposes of the net collateral ratio, all ineligible investments are stated at lower of cost or market. See the Capital Resources section below for further discussion of the regulatory ratios. In addition, all ineligible investments are excluded from liquidity coverage as defined above.

The District performs periodic credit reviews, including other-than-temporary impairment analysis, on its entire investment securities portfolio. Additional analysis for each security not rated in the top category by the NRSROs is performed using a cash flow model with key assumptions and performance factors which may include credit default rate, prepayment rate, and loss severity. The objective is to quantify any future possible loss of principal or interest due on each identified security. The credit enhancements specific to the individual security are considered as appropriate, and may include monoline credit insurance, subordination, over-collateralization and excess interest spread. Asset-backed securities covered by insurers are analyzed with insurance and without, to quantify the extent of reliance on their guarantee. Based on the results of all analyses, the Bank recognized other-than-temporary impairment of $18.6 million related to two asset-backed securities and two non-agency CMOs in its portfolio at March 31, 2009, of which $5.5 million was credit related and included in Net Impairment Losses on Investments in the Combined Statements of Income and $13.2 million was noncredit-related and included in AOCI. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis. See discussion below regarding new accounting guidance issued in 2009.

For all other investments, the District has not recognized any other-than-temporary impairment as it has determined that the decline in market value was caused primarily by reduced liquidity in the securities markets stemming from the general adversity in the financial and mortgage markets. The District has the ability and intent to hold these investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering insurance guarantees. All securities continue to perform.

For purposes of determining the fair values of the modeled securities and the resulting unrealized gain/ loss impact through AOCI, the Bank considers both a price or “mark” provided by a third party pricing service and also a value determined using the results of the modeling process. The Bank reviews and discusses with the third party pricing services and valuations experts the assumptions used in their pricing models, particularly for the asset-backed and non-agency CMO securities impacted by inactive trading or distressed sales, to ensure when relevant observable inputs are not available, that the price is fairly reflective of the price expected to be received in an orderly transaction that is not a forced liquidation or distressed sale at the measurement date. The modeling process was factored into the pricing for the asset-backed security and the non-agency CMO security portfolios of the Bank.

New accounting guidance issued by the Financial Accounting Standards Board (FASB) in April 2009 impacted the amount of security impairment exposure and the overall valuation of the District’s security portfolio at March 31, 2009. Only the projected credit loss on an impaired security was reflected in the Statements of Income as discussed above. Previously the entire difference between the fair value and cost of an impaired security was included in income. This change reduces impairment loss expense and increases the amount of valuation adjustment that remains in AOCI. Also, at time of adoption of the FASB guidance, which for the District was effective March 31, 2009, the noncredit-related portion of impairment on securities previously recognized in earnings is cumulatively adjusted from retained earnings to AOCI. For the Bank, this resulted in a cumulative-effect adjustment reflected in the Combined Statement of Changes in Shareholders’ Equity of $3.5 million from unallocated retained earnings to AOCI for the one asset-backed security impairment of $10.5 million recognized in 2008. This new accounting guidance also allows the District to place more reliance on financial modeling to measure the fair value of securities where the market for those securities is not active. The Bank thus placed more reliance on the security values being generated by the modeling approach used by the Bank’s valuation consultant and less reliance on the marks provided by the security pricing service for its asset-backed security and the non-agency CMO security portfolios. See Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, and Note 4, *Fair Value Measurement*, in the Notes to the Financial Statements for further information.

Capital Resources

Total District shareholders' equity increased $131.1 million from December 31, 2008, to March 31, 2009. This 4.20 percent net increase is primarily attributed to increases in unallocated retained earnings from net income of $74.0 million, a decrease of $56.7 million in unrealized losses on investments available-for-sale, a component of AOCI, a decrease of $7.2 million in AOCI for SFAS 158 employee benefit plans adjustments, and $4.1 million in capital stock and participation certificates issued. These increases were offset by increases of patronage distributions of $4.3 million and retained earnings retired of $9.5 million. As of March 31, 2009, AgFirst and each of the District Associations exceeded the applicable minimum permanent capital, core surplus, total surplus, and net collateral ratio requirements established by FCA Regulations.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2009 was $74.0 million, compared to $92.7 million at March 31, 2008, a decrease of $18.8 million, or 20.25 percent. The overall decrease is discussed below.

Net Interest Income

Net interest income for the three months ended March 31, 2009 was $214.1 million compared to $193.3 million for the same period of 2008, an increase of $20.9 million or 10.81 percent. Net interest margin was 2.74 percent in the current year three month period, an improvement of 2 basis points over the same period of 2008. Net interest income increased as the outstanding balances of both loans and investments increased significantly. Spreads improved as called debt was replaced by new debt issued at a lower rate of interest thereby increasing net interest income. However, the benefit of lower debt costs was substantially offset by lower earning asset yields.

The following table illustrates the changes in net interest income:

	For the three months ended March 31, 2009 vs. March 31, 2008		
	Increase (decrease) due to changes in:		
(dollars in thousands)	**Volume**	**Rate**	**Total**
Interest Income:			
Loans	$ 35,640	$ (91,545)	$ (55,905)
Investments & Other Int. Earning Assets	13,674	(44,651)	(30,977)
Total Interest Income	$ 49,314	$ (136,196)	$ (86,882)
Interest Expense:			
Interest Bearing Liabilities	$ 32,440	$ (140,213)	$ (107,773)
Changes in Net Interest Income	$ 16,874	$ 4,017	$ 20,891

Provision for Loan Losses

AgFirst and the Associations assess risks inherent in their individual loan portfolios on an ongoing basis and establish appropriate reserves for loan losses. The District provision for loan losses was $36.9 million for the three months ended March 31, 2009, compared to a provision of $20.0 million for the same period in 2008, an increase of $16.9 million. During the first three months of 2009, District Associations and the Bank recorded provisions of $20.2 million and $16.7 million, respectively, primarily for specific reserves related to borrower relationships in nonaccrual status. See Note 3, *Allowance for Loan Losses and Impaired Loans,* in the Notes to the Financial Statements for further information.

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the three months ended March 31,**		
(dollars in thousands)	**2009**	**2008**	**Increase/ (Decrease)**
Loan fees	$ 12,289	$ 13,101	$ (812)
Fees for financially related services	1,589	1,845	(256)
Gains (losses) from other property owned, net	(787)	(502)	(285)
Gains (losses) on investments, net	-	(71)	71
Net impairment losses on investments	(5,453)	-	(5,453)
Gains (losses) on derivatives, net	571	-	571
Gain (loss) on sale of rural home loans, net	609	379	230
Gains from sale of premises and equipment, net	369	612	(243)
Patronage refunds from other Farm Credit institutions	1,633	957	676
Other noninterest income	2,285	1,201	1,084
Noninterest income	$ 13,105	$ 17,522	$ (4,417)

Noninterest income for the three months ended March 31, 2009 was $13.1 million, which reflected a decrease of $4.4 million, compared to the same period in 2008. The decrease for the three month period was primarily due to the recognition of credit related other-than-temporary impairment on several of the Bank's investment securities of $5.5 million in the 2009 period as discussed above. The decrease in loan fees of $812 thousand corresponds to the decrease in loan volume discussed above. The increase in gain on derivatives was due to a hedging effectiveness gain of $571 thousand related to swap derivatives recorded in the 2009 period. The increase in other noninterest income was primarily due to a 2008 captive insurance premium rebate received and recorded in the first quarter of 2009 and from higher income from outside sources for services to other Farm Credit System entities.

Noninterest Expense

The following table illustrates the changes in noninterest expense:

Change in Noninterest Expense	**For the three months ended March 31,**		
(dollars in thousands)	**2009**	**2008**	**Increase/ (Decrease)**
Salaries and employee benefits	$ 60,131	$ 47,135	$ 12,996
Occupancy and equipment	8,526	8,743	(217)
Insurance Fund premium	11,649	7,478	4,171
Other operating expenses	19,763	20,100	(337)
Called debt expense	13,801	13,608	193
Correspondent lending servicing expense	1,618	632	986
Other noninterest expense	69	69	-
Noninterest Expense	$ 115,557	$ 97,765	$ 17,792

Noninterest expense for the three months ended March 31, 2009 was $115.6 million, which reflected an increase of $17.8 million compared to the corresponding period in 2008. The increase in noninterest expense for the three month ended period was primarily related to increases of $13.0 million in salaries and employee benefits, $4.2 million in the Insurance Fund premium, and $986 thousand for correspondent lending servicing expense.

The increases in salaries and employee benefits primarily was due to increased pension expense resulting from a decrease in the expected return on plan assets and an increase in the amount of actuarial losses amortized for 2009 for the District plans. See Note 7, *Employee Benefit Plans*, in the Notes to the Financial Statements, for further information.

The Insurance Fund premium increased $4.2 million (55.78 percent) for the three month period due to the increase in loan volume compared to the prior year three month period and a change in assessment of Insurance Fund premiums. Effective July 1, 2008, the base on which Insurance Fund premiums are assessed was changed from total loans to total system debt. Also, the annual premium rate, which was 15 basis points for the first three months of 2008, was increased to 20 basis points for 2009.

The increase in correspondent lending servicing expense of $986 thousand (156.01 percent) for the three month period was primarily due to higher guarantee fees from increased volume in the correspondent lending portfolio.

Other noninterest expense consists of amortization of the Bank's mandatorily redeemable preferred stock issuance costs.

Key results of operations comparisons:

	Annualized for the three months ended March 31, 2009	**For the year ended December 31, 2008**	**Annualized for the three months ended March 31, 2008**
Return on average assets	0.93%	1.17%	1.26%
Return on average shareholders' equity	9.37%	10.07%	10.01%
Net interest income as a percentage of average earning assets	2.74%	2.66%	2.72%
Net (chargeoffs) recoveries To average loans	(0.23)%	(0.14)%	(0.03)%

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Combined Financial Statements, and the 2008 Annual Report of AgFirst Farm Credit Bank and District Associations for recently issued accounting pronouncements.

NOTE: Shareholder investment in a District Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. 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 Stephen Gilbert, Director of Financial Reporting, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Combined information concerning AgFirst Farm Credit Bank and District Associations can also be obtained at the Bank's website, *www.agfirst.com*. AgFirst prepares a quarterly report within 40 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

(dollars in thousands)	March 31, 2009	December 31, 2008
	(unaudited)	(audited)
Assets		
Cash and cash equivalents	$ 219,916	$ 316,010
Investment securities:		
Available for sale (amortized cost of $6,949,548 and $6,648,869 respectively)	6,648,726	6,291,327
Held to maturity (fair value of $1,864,263 and $1,907,489 respectively)	1,819,150	1,875,699
Total investment securities	8,467,876	8,167,026
Loans	22,948,995	23,077,736
Less: allowance for loan losses	153,336	169,090
Net loans	22,795,659	22,908,646
Loans held for sale	5,096	1,831
Other investments	339,635	410,249
Accrued interest receivable	207,238	235,080
Investments in other Farm Credit System institutions	19,611	19,822
Premises and equipment, net	128,340	126,850
Other property owned	12,868	14,228
Deferred tax assets, net	—	—
Other assets	222,353	212,688
Total assets	$ 32,418,592	$ 32,412,430
Liabilities		
Bonds and notes	$ 28,079,013	$ 28,253,023
Mandatorily redeemable preferred stock	225,000	225,000
Accrued interest and dividend payable	103,055	154,555
Dividends and patronage refunds payable	10,935	103,187
Pension and other postretirement benefits liability	381,835	374,355
Advanced conditional payments	16,885	21,177
Deferred tax liabilities, net	4	7
Other liabilities	348,995	159,400
Total liabilities	29,165,722	29,290,704
Commitments and contingencies (Note 6)	—	—
Shareholders' Equity		
Perpetual preferred stock	400,000	400,000
Protected borrower equity	4,394	4,670
Capital stock and participation certificates	133,620	129,529
Retained earnings		
Allocated	1,119,882	1,126,994
Unallocated	2,261,870	2,191,324
Accumulated other comprehensive income (loss)	(666,896)	(730,791)
Total shareholders' equity	3,252,870	3,121,726
Total liabilities and equity	$ 32,418,592	$ 32,412,430

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

Combined Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2009	2008
Interest Income		
Investment securities	$ 52,278	$ 82,686
Loans	317,990	373,895
Other	4,679	5,248
Total interest income	374,947	461,829
Interest Expense	160,798	268,571
Net interest income	214,149	193,258
Provision for (reversal of) loan losses	36,927	20,077
Net interest income after provision for (reversal of) loan losses	177,222	173,181
Noninterest Income		
Loan fees	12,289	13,101
Fees for financially related services	1,589	1,845
Gains (losses) from other property owned, net	(787)	(502)
Gains (losses) on investments, net	—	(71)
Impairment losses on investments (Note 2)	(18,634)	—
Noncredit-related losses on investments not expected to be sold (recognized in other comprehensive income) (Note 2)	13,181	—
Net impairment losses on investments	(5,453)	—
Gains (losses) on derivatives, net	571	—
Gain (loss) on sale of rural home loans	609	379
Gains from sale of premises and equipment, net	369	612
Patronage refunds from other Farm Credit institutions	1,633	957
Other noninterest income	2,285	1,201
Total noninterest income	13,105	17,522
Noninterest Expenses		
Salaries and employee benefits	60,131	47,135
Occupancy and equipment	8,526	8,743
Insurance Fund premiums	11,649	7,478
Other operating expenses	19,763	20,100
Called debt expense	13,801	13,608
Correspondent lending servicing expense	1,618	632
Other noninterest expense	69	69
Total noninterest expenses	115,557	97,765
Income before income taxes	74,770	92,938
Provision (benefit) for income taxes	815	203
Net income	$ 73,955	$ 92,735

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

Combined Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Perpetual Preferred Stock	Protected Borrower Equity	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 2007	$ 400,000	$ 5,369	$ 127,147	$ 1,068,756	$ 2,118,390	$ (153,588)	$ 3,566,074
Comprehensive income							
Net income					92,735		92,735
Unrealized gains (losses) on investments available for sale						(100,539)	(100,539)
Employee benefit plans adjustments					(5,013)	2,139	(2,874)
Total comprehensive loss							(10,678)
Protected borrower equity retired		(529)					(529)
Capital stock/participation certificates issued/(retired), net			5,785				5,785
Dividends declared/paid			185		(211)		(26)
Patronage distribution							
Cash					(4,981)		(4,981)
Allocated retained earnings				63	(63)		—
Nonqualified allocated retained earnings							—
Retained earnings retired				(37,200)			(37,200)
Patronage distribution adjustment				(451)	(3,064)		(3,515)
Balance at March 31, 2008	$ 400,000	$ 4,840	$ 133,117	$ 1,031,168	$ 2,197,793	$ (251,988)	$ 3,514,930
Balance at December 31, 2008	$ 400,000	$ 4,670	$ 129,529	$ 1,126,994	$ 2,191,324	$ (730,791)	$ 3,121,726
Comprehensive income							
Net income					73,955		73,955
Unrealized gains (losses) on investments available for sale:							
Other-than-temporarily impaired (Note 2)						(13,181)	
Temporarily impaired (Note 2)						73,375	
Total unrealized gains (losses) on investments available for sale							60,194
Employee benefit plans adjustments						7,175	7,175
Total comprehensive income							141,324
Protected borrower equity retired		(276)					(276)
Capital stock/participation certificates issued/(retired), net			3,954				3,954
Dividends declared/paid			137		(137)		—
Patronage distribution							
Cash					(4,263)		(4,263)
Retained earnings retired				(9,460)			(9,460)
Cumulative-effect adjustment for investment impairment accounting change (Note 2)					3,474	(3,474)	—
Patronage distribution adjustment				2,348	(2,483)		(135)
Balance at March 31, 2009	$ 400,000	$ 4,394	$ 133,620	$ 1,119,882	$ 2,261,870	$ (666,896)	$ 3,252,870

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

Combined Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2009	2008
Cash flows from operating activities:		
Net income	$ 73,955	$ 92,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	4,585	4,697
Amortization of net deferred loan origination (fees) costs	(2,620)	(2,994)
Premium amortization/discount accretion on investment securities	(2,054)	(3,618)
Premium amortization/discount accretion on bonds and notes	8,142	2,796
Provision for (reversal of) loan losses	36,927	20,077
(Gains) losses on other property owned, net	787	502
(Gains) losses from sale of premises and equipment, net	(369)	(612)
Net impairment losses on investments	5,453	71
(Gains) losses on derivatives, net	(571)	—
Gains (losses) on sales of rural home loans, net	(609)	(379)
Net change in loans held for sale	12,293	7,516
(Increase) decrease in accrued interest receivable	27,842	13,333
(Increase) decrease in deferred tax assets, net	—	5
(Decrease) increase in deferred tax liabilities, net	(3)	5
(Increase) decrease in other assets	(22,663)	(16,287)
Increase (decrease) in accrued interest payable	(51,500)	(33,583)
Increase (decrease) in pension and other postretirement benefits liability	7,480	6,429
Increase (decrease) in other liabilities	195,305	74,594
Total adjustments	218,425	72,552
Net cash provided by (used in) operating activities	292,380	165,287
Cash flows from investing activities:		
Investment securities purchased	(756,211)	(948,210)
Investment securities sold or matured	509,456	630,542
Net (increase) decrease in loans	59,642	(701,436)
(Increase) decrease in investments in other Farm Credit System institutions	211	376
Purchases of other investments	(2,525)	(12,420)
Proceeds from payments received on other investments	77,818	72,101
Purchase of premises and equipment, net	(6,237)	(6,230)
Proceeds from sale of premises and equipment, net	531	1,416
Proceeds from sale of other property owned	4,662	1,356
Net cash provided by (used in) investing activities	(112,653)	(962,505)
Cash flows from financing activities:		
Bonds and notes issued	29,425,995	32,130,809
Bonds and notes retired	(29,595,092)	(31,252,510)
Net increase (decrease) in advanced conditional payments	(4,292)	542
Protected borrower equity retired	(276)	(529)
Capital stock and participation certificates issued/retired, net	3,954	5,785
Patronage refunds and dividends paid	(96,650)	(129,495)
Retained earnings retired	(9,460)	(37,200)
Net cash provided by (used in) financing activities	(275,821)	717,402
Net increase (decrease) in cash and cash equivalents	(96,094)	(79,816)
Cash and cash equivalents, beginning of period	316,010	612,841
Cash and cash equivalents, end of period	$ 219,916	$ 533,025
Supplemental schedule of non-cash investing and financing activities:		
Financed sales of other property owned	$ 250	$ 4,300
Loans transferred to other property owned	4,339	2,402
Patronage refund and dividends payable	4,263	5,007
Change in unrealized gains (losses) on investments and derivative instruments, net	60,194	(100,539)
Employee benefit plans adjustments	7,175	(2,874)
Cumulative-effect adjustment for investment impairment accounting change (Note 2)	(3,474)	—
Non-cash changes related to hedging activities:		
Increase (decrease) in bonds and notes	$ (13,055)	$ 46,575
Decrease (increase) in other assets	12,998	(44,015)
Increase (decrease) in other liabilities	(571)	(2,560)
Supplemental information:		
Interest paid	$ 204,156	$ 299,358
Taxes paid, net	1,650	249

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, SIGNIFICANT ACCOUNTING POLICIES, AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The accompanying combined financial statements include the accounts of AgFirst Farm Credit Bank (AgFirst or Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the District. All significant transactions and balances between AgFirst and the District Associations have been eliminated in combination. A description of the organization and operations, 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, 2008 are contained in the 2008 Annual Report to Shareholders. These unaudited first quarter 2009 financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

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 (GAAP) and prevailing practices within the banking industry. The results for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the year ending December 31, 2009.

Certain amounts in the prior period's financial statements may have been reclassified to conform to the current period's financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The District maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through allowance for loan losses reversals and loan charge-offs. A review of all individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to assure loss exposure to the District has been identified. The allowance for loan losses is a valuation account used to reasonably estimate loan and lease losses as of the financial statement date. Determining the appropriate allowance for loan losses balance involves significant judgment about when a loss has been incurred and the amount of that loss. The District considers factors such as credit risk classifications, collateral values, risk concentrations, economic and weather related conditions, among others, when determining the allowance for loan losses.

A specific allowance may be established for impaired loans under SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." Impairment of these loans is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or at the loan's observable market price or fair value of the collateral if the loan is collateral dependent.

A general allowance may also be established under SFAS No. 5, "Accounting for Contingencies," to reflect estimated probable credit losses inherent in the remainder of the loan portfolio which excludes impaired loans considered under the specific allowance discussed above. A general allowance can be evaluated on a pool basis for those loans with similar characteristics. The level of the general allowance may be based on management's best estimate of the likelihood of default adjusted for other relevant factors reflecting the current environment.

Effective January 1, 2009, the District adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," which amends and expands the disclosure requirements for derivative instruments and for hedging activities previously required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." It states that an entity with derivative instruments shall disclose information to enable users of the financial statements to understand:

a. How and why an entity uses derivative instruments
b. How derivative instruments and related hedged items are accounted for under this Statement and related interpretations
c. How derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

The adoption of this Standard did not have an impact on the financial statements; however, the derivative instruments disclosures have been expanded in accordance with SFAS No. 161 (see Note 8).

Effective January 1, 2009, the District adopted Financial Accounting Standards Board (FASB) Statement of Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The impact of adoption resulted in additional fair value disclosures (see Note 4), primarily regarding other property owned, but does not have an impact on the District's financial condition or results of operations.

In April 2009, the FASB issued FSP No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP 157-4). FSP 157-4 emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique and inputs used, the objective for the fair value measurement is unchanged from what it would be if markets were operating at normal activity levels or transactions were orderly; that is, to determine the current exit price. It sets forth additional factors that should be considered to determine whether there has been a significant decrease in volume and level of activity when compared with normal market activity. The reporting entity shall evaluate the significance and relevance of the factors to determine whether, based on the weight of evidence, there has been a significant decrease in activity and volume. FSP 157-4 indicates that if an entity determines that either the volume or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. It is further noted that a fair value measurement should include a risk adjustment to reflect the amount market participants would demand because of the risk (uncertainty) in the cash flows.

FSP 157-4 also requires a reporting entity to make additional disclosures in interim and annual periods. It is effective for interim periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. Revisions resulting from a change in valuation techniques or their application are accounted for as a change in accounting estimate. The District early adopted this FSP (see Note 2 and Note 4).

In April 2009, the FASB issued FSP No. 115-2, "Recognition and Presentation of Other-Than-Temporary Impairments" (FSP 115-2), which amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt securities in the financial statements. It does not change existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

FSP 115-2 changes existing impairment guidance under FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities (FAS 115) by eliminating the "ability and intent to hold" provision. In addition, impairment is now considered to be other than temporary if an entity 1) intends to sell the security, 2) more likely than not will be required to sell the security before recovering its cost, or 3) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). The "probability" standard relating to the collectability of cash flows is also eliminated, and impairment is now considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to in FSP 115-2 as a "credit loss"). If an entity intends to sell an impaired debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other-than-temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into 1) the estimated amount relating to credit loss, and 2) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income. For held-to-maturity securities, the portion of the other-than-temporary impairment not related to a credit loss will be recognized in a new category of other comprehensive income and amortized over the remaining life of the debt security as an increase in the security's carrying amount. Disclosure requirements for impaired debt and equity securities are expanded and will now be required quarterly (see Note 2), as well as annually.

This FSP is effective for interim and annual periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. For securities held at the beginning of the interim period of adoption for which an other-than-temporary impairment was previously recognized, if an entity does not intend to sell and it is not more likely than not that it will be required to sell before recovery of its amortized cost basis, the entity shall recognize the cumulative effect of initially applying this FSP adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. The District early adopted this FSP and recognized an adjustment to beginning retained earnings in the amount of $3.5 million, and a corresponding adjustment to accumulated other comprehensive income of $3.5 million. If a reporting entity early adopts this FSP, it is required to adopt FSP 157-4 and the same applies if FSP 157-4 is adopted, then FSP 115-2 must also be adopted.

In addition, in April 2009, the FASB issued FSP No. 107-1 and Accounting Principles Board (APB) No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments." This FSP requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The FSP is effective for interim periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. The District early adopted this FSP (see Note 5).

NOTE 2 — INVESTMENT SECURITIES

Available-for-sale

A summary of the amortized cost and fair value of debt securities held as available-for-sale investments at March 31, 2009 follows:

(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
U.S. Govt. GNMA MBS/CMOs	$3,078,268	$12,198	$(42,720)	$3,047,746	1.98 %
U.S. Govt. Agency MBS	3,189,399	13,792	(93,403)	3,109,788	2.09
Non-Agency Securities	544,268	-	(146,948)	397,320	0.91
Commercial MBS	12,656	-	(1,497)	11,159	0.88
Asset-Backed Securities	124,957	-	(42,244)	82,713	0.71
Total	$6,949,548	$25,990	$(326,812)	$6,648,726	1.92 %

Held-to-maturity

A summary of the amortized cost and fair value of debt securities held as held-to-maturity investments at March 31, 2009 follows:

(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
U.S. Govt. Agency MBS	$1,453,934	$60,091	$ (333)	$1,513,692	5.21 %
Asset-Backed Securities	131,603	485	(1,254)	130,834	2.01
Other	233,613	5,904	(19,780)	219,737	6.16
Total	$1,819,150	$66,480	$(21,367)	$1,864,263	5.10 %

AgFirst's and certain District Association's investments include mortgage-backed securities (MBSs), asset backed securities (ABSs), and short-term money market securities. MBSs are collateralized by U.S. government or U.S. agency guaranteed residential mortgages and all were rated in the top category (AAA/Aaa) by the NRSROs at March 31, 2009. All but two of the non-agency CMO securities (fair value of $22.7 million) were rated or split rated in the top category by at least one of the Nationally Recognized Statistical Organizations (NRSROs) at March 31, 2009. All but three of the ABSs (fair value of $19.1 million) are rated above the minimum for investment grade (BBB-/ Baa3) by the NRSROs at March 31, 2009. All ABSs have credit enhancement features including senior/subordinate structure and/or are backed by a bond insurer. Money market securities are short term in nature (from overnight maturities to maturities that range from 30 to90 days) and are only purchased from financial institutions that carry sound credit ratings.

The fair value of all investments at March 31, 2009 split rated AAA/Aaa or lower by the NRSROs totaled $227.8 million (amortized cost of $352.1 million), which represents approximately 2.7 percent (and 4.0 percent) of total fair value (and amortized cost) of the District's total investment portfolio at March 31, 2009.

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is based on the date the impairment was first identified. This also applies to those securities other-than-temporarily impaired for which a credit loss has been recognized but noncredit-related losses continue to remain unrealized. The following table shows the fair value and gross unrealized losses for investments that have been in a continuous unrealized loss position aggregated by investment category at March 31, 2009.

	Less than 12 Months		Greater than 12 Months		Total	
(dollars in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Govt. GNMA MBS/CMOs	$ 1,640,968	$ 28,388	$ 499,393	$ 14,332	$ 2,140,361	$ 42,720
U.S. Govt. Agency MBS	1,130,896	38,822	1,191,245	54,914	2,322,141	93,736
Non-Agency Securities	23,918	5,751	373,401	141,197	397,319	146,948
Asset-Backed Securities	53,766	405	109,059	43,093	162,825	43,498
Mortgage-Backed Securities	-	-	11,159	1,497	11,159	1,497
Other	36,130	3,173	83,708	16,607	119,838	19,780
Total	$ 2,885,678	$ 76,539	$ 2,267,965	$ 271,640	$ 5,153,643	$ 348,179

On March 31, 2009, the District held certain investments having continuous unrealized loss positions for more than 12 months with a fair value totaling $2.268 billion and an unrealized loss position totaling $271.6 million. The District performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify any future possible loss of principal or interest due on each security identified for additional analysis. Factors considered in determining whether an impairment is other-than-temporary include among others: 1) the length of time and the extent to which the fair value is less than cost, 2) the financial condition and near-term prospects of the issuer, 3) the estimated cash flow projections compared to contractual cash flows, 4) significant rating agency changes on the issuer, and 5) the District's 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. Based on the results of all analyses, the District has recognized total other-than-temporary impairment during the first quarter of 2009 of $18.6 million in connection with two ABS securities and two non-agency CMO securities in the Bank's portfolio, which is included in Impairment Losses on Investments in the Combined Statements of Income.

Since the District does not intend to sell these four impaired debt securities and is not more likely than not to be required to sell before recovery, the other-than temporary impairment of $18.6 million is separated into 1) the estimated amount relating to credit loss ($5.5 million reflected in Net Income in the Combined Statements of Income), and 2) the amount relating to all other factors ($13.2 million reflected in other comprehensive income in the Combined Statement of Changes in Shareholders' Equity). Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis. In determining the amount of credit loss, the District uses the expected present value technique as its best estimate of the present value of cash flows expected to be collected from the debt security. Significant inputs used in this technique to measure the amount related to the credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan to collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. No additional impairment was recognized during the first quarter of 2009 for the one ABS security previously impaired in 2008.

Due to the adoption of FSP 115-2, the District recognized the cumulative effect of initially applying this FSP in 2009 as an adjustment to the opening balance of unallocated retained earnings of $3.5 million with the same corresponding adjustment amount to AOCI. The $3.5 million represents the noncredit-related amount of the previous other-than-temporary impairment recognized by the District in 2008 of $10.5 million on one ABS security.

For all investments other than the five securities discussed above, the District has not recognized any other-than-temporary impairment as the unrealized losses resulted primarily from reduced liquidity in the securities markets stemming from general adversity in the financial markets and full payment of principal and interest is expected. The District has the ability and intent to hold these investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements. All securities, including the five securities that have been determined to be other-than-temporarily impaired, continue to perform. Substantially all of these investments were in U. S. government agency securities and the District expects these securities would not be settled at a price less than their amortized cost. For the first quarter of 2009, net unrealized gains of $73.4 million were recognized in other comprehensive income for temporarily impaired available-for-sale investments.

A summary of the expected maturity, estimated fair value and amortized cost of investment securities at March 31, 2009 follows:

Available-for-sale

	Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years		Due after 10 years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. GNMA MBS/CMOs	$ –	– %	$ –	– %	$ 281	0.72%	$ 3,047,465	2.00 %	$ 3,047,746	2.00%
U.S. Govt. Agency MBS	–	–	786	1.12	203,576	1.68	2,905,426	2.18	3,109,788	2.15
Non-Agency Securities	–	–	–	–	–	–	397,320	1.24	397,320	1.24
Commercial MBS	–	–	–	–	–	–	11,159	1.00	11,159	1.00
Asset-Backed Securities	–	–	–	–	11,494	0.70	71,219	1.14	82,713	1.08
Total fair value	$ –	– %	$ 786	1.12 %	$ 215,351	1.63%	$ 6,432,589	2.02 %	$ 6,648,726	2.01%
Total amortized cost	$ –		$ 792		$ 215,838		$ 6,732,917		$ 6,949,547	

Held-to-maturity

	Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years		Due after 10 years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Agency MBS	$ –	– %	$ –	–%	$ –	– %	$ 1,453,934	5.21%	$ 1,453,934	5.21%
Asset-Backed Securities	3,458	0.23	38,982	1.45	44,321	1.97	44,842	2.66	131,603	2.01
Other	25	6.57	63,427	6.49	74,625	5.73	95,536	6.28	233,613	6.16
Total amortized cost	$ 3,483	0.27%	$ 102,409	4.57%	$ 118,946	4.33%	$ 1,594,312	5.20%	$ 1,819,150	5.10%
Total fair cost	$ 3,472		$ 104,068		$ 118,872		$ 1,637,851		$ 1,864,263	

The following schedule details the activity related to cumulative credit losses on investments recognized in earnings as of March 31, 2009:

(dollars in thousands)	**For the three months ended March 31, 2009**
Beginning balance at January 1, 2009	$ -
Adjustment to beginning balance due to application of investment impairment accounting change	6,991
Adjusted beginning balance at January 1, 2009	6,991
Additions for the amount related to credit loss for which other-than-temporary impairment was not previously recognized	5,453
Ending balance at March 31, 2009	$ 12,444

NOTE 3 — ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
(dollars in thousands)	**2009**	**2008**
Balance at beginning of period	$ 169,090	$ 78,874
Provision for (reversal of) loan losses	36,927	20,077
Charge-offs	(53,200)	(6,612)
Recoveries	519	346
Balance at end of period	$ 153,336	$ 92,685

The following table presents information concerning impaired loans as of March 31,

(dollars in thousands)	**2009**	**2008**
Impaired loans with related allowance	$ 177,352	$ 46,531
Impaired loans with no related allowance	500,018	86,782
Total impaired loans	$ 677,370	$ 133,313
Allowance on impaired loans	$ 65,296	$ 15,992

The following table summarizes impaired loan information for the three months ended March 31,

(dollars in thousands)	**2009**	**2008**
Average impaired loans	$ 604,278	$ 116,863
Interest income recognized on impaired loans	1,317	1,420

NOTE 4 — FAIR VALUE MEASUREMENT

Effective January 1, 2008, the District adopted SFAS No. 157 “Fair Value Measurements.” This Statement defines fair value, establishes a framework for measuring fair value and expands the District’s fair value disclosure for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities primarily consist of investments available-for-sale, highly-liquid funds, derivative assets and liabilities, assets held in trust funds, standby letters of credit, impaired loans, and other property owned.SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

SFAS No. 157 establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs and the classification of the District’s financial instruments within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. Level 1 assets and liabilities could include investment securities and derivative contracts that are traded in an active exchange market, in addition to certain U.S. Treasury securities that are highly-liquid and are actively traded in over-the-counter markets.

The District's Level 1 assets at March 31, 2009 consist of assets held in trust funds related to deferred compensation and supplemental retirement plans. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Level 2 assets and liabilities could include investment securities that are traded in active, non-exchange markets and derivative contracts that are traded in active, over-the-counter markets.

The fair value of substantially all of the District's investment securities is determined from third-party valuation services that estimate current market prices. Inputs and assumptions related to third-party market valuation services are typically observable in the marketplace. Such services incorporate prepayment assumptions and underlying mortgage- or asset-backed collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities. Third-party valuations also incorporate information regarding broker/dealer quotes, available trade information, historical cash flows, credit ratings, and other market information. Such valuations represent an estimated exit price, or price to be received by a seller in active markets to sell the investment securities to a willing participant.

The fair value of the District's derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer a derivative liability in active markets among willing participants at the reporting date. Estimated fair values are determined through internal market valuation models. These models incorporate benchmark interest rate curves, volatilities, and other inputs which are observable directly or indirectly in the marketplace. The District compares internally calculated derivative valuations to broker/dealer quotes to substantiate the results.

The District's Level 2 assets and liabilities at March 31, 2009 include derivative contracts and investment securities in U.S. government and agency mortgage-backed securities, non-agency mortgage-backed securities, and U.S. agency debt securities, all of which have unadjusted values from third-party or internal pricing models. Level 2 assets also include federal funds sold, securities purchased under resale agreements and other highly-liquid funds, all of which are non-exchange-traded instruments. The market value of these federal funds sold and other instruments is generally their face value, plus accrued interest, as these instruments are highly-liquid, readily convertible to cash, and short-term in nature.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Level 3 assets and liabilities could include investments and derivative contracts whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, and other instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets and liabilities also could include investments and derivative contracts whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

Level 3 assets at March 31, 2009 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying collateral since these were collateral-dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principle balance of the loan, a specific reserve is established.

Level 3 assets at March 31, 2009 also include the Bank's mortgage-related asset-backed investment portfolio and non-agency CMO investment portfolio. Based on the currently illiquid marketplace for non-agency mortgage-backed investments and the lack of marketplace information available as inputs and assumptions to the valuation process, the Bank classified the mortgage-related asset-backed investment portfolio and non-agency CMO investment portfolio as Level 3 assets. The fair value measurement of these assets involved management's judgment and was based on multiple factors including information obtained from third-party valuation services using both level 2 and level 3 inputs.

Other property owned is classified as a level 3 asset at March 31, 2009. The fair value for other property owned is based upon the collateral less estimated costs to sell.

Level 3 liabilities at March 31, 2009 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009 for each of the fair value hierarchy levels:

(dollars in thousands)	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Investments available-for-sale	$ -	$ 6,183,107	$ 465,619	$ 6,648,726
Federal funds sold, securities purchased under resale agreements, and other	-	83,067	-	83,067
Interest rate swaps and other financial instruments	-	111,984	-	111,984
Assets held in trust funds	8,037	-	-	8,037
Total Assets	$ 8,037	$ 6,378,158	$ 465,619	$ 6,851,814
Liabilities:				
Interest rate swaps and other financial instruments	$ -	$ (102)	$ -	$ (102)
Standby letters of credit	-	-	5,226	5,226
Total Liabilities	$ -	$ (102)	$ 5,226	$ 5,124

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis. Non-agency CMO securities of the Bank were transferred from level 2 to level 3 assets effective March 31, 2009 as the Bank began adjusting the valuation obtained from a third party pricing service for this portfolio to reflect, in part, the valuation obtained from a cash flow modeling process. Total credit losses of $1.4 million were included in earnings for the first quarter of 2009 for two non-agency CMOs determined to be other-than-temporarily impaired by the Bank.

(dollars in thousands)	Asset-Backed Investment Securities	Non-agency CMOs	Standby Letters Of Credit
Balance at January 1, 2009	$ 79,961	$ -	$ 5,262
Total gains or (losses) realized/unrealized:			
Included in earnings	(4,009)	-	-
Included in other comprehensive loss	5,651	-	-
Purchases, sales, issuances and settlements, net	(13,304)	-	(36)
Transfers in and/or out of level 3	-	397,320	-
Balance at March 31, 2009	$ 68,299	$ 397,320	$ 5,226

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy values are summarized below:

(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**YTD Total Gains (Losses)**
Assets:					
Impaired loans	$ -	$ -	$ 112,056	$ 112,056	$ (28,938)
Other Property Owned	$ -	$ -	$ 12,868	$ 12,868	$ (661)

NOTE 5 — DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the District's financial instruments at March 31, 2009.

Quoted market prices are generally not available for certain Systemwide 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 affect the estimates.

	March 31, 2009	
(dollars in thousands)	**Carrying Amount**	**Estimated Fair Value**
Financial assets:		
Loans, net of allowance	$ 22,795,659	$ 23,441,343
Derivative assets	$ 111,984	$ 111,984
Cash & cash equivalents	$ 219,916	$ 219,916
Investment securities	$ 8,467,876	$ 8,512,989
Other investments	$ 339,635	$ 356,307
Assets held in trust funds	$ 8,037	$ 8,037
Financial liabilities:		
Bonds and notes	$ 28,079,013	$ 28,249,631
Derivative liabilities	$ (102)	$ (102)

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 that value follows:

A. **Loans:** Because no active market exists for the District's loans, fair value is estimated by discounting the expected future cash flows using the District's current interest rates at which similar loans would be made to borrowers with similar credit risk.

   For purposes of determining fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics based upon repricing and credit risk. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool. Fair value of loans in a nonaccrual status are estimated to be the carrying amount of the loan less specific reserves. The carrying value of accrued interest approximates its fair value.

B. **Cash and Cash Equivalents:** The carrying value is primarily a reasonable estimate of fair value.

C. **Investment Securities:** Fair value is primarily based upon prices obtained from a third party valuation service. See additional information in Note 4.

D. **Other Investments:** Fair value is estimated by discounting future annual cash flows using prevailing rates for similar instruments at year-end.

E. **Bonds and Notes:** Systemwide bonds and notes are not regularly traded; thus, quoted market prices are not available. Fair value of these instruments is estimated by discounting expected future cash flows based on the quoted market price of similar maturity Treasury notes, assuming a constant estimated yield spread relationship between Systemwide bonds and notes and comparable Treasury notes.

F. **Derivative Instruments:** The fair value of derivatives is the estimated amount to be received or paid to replace the instruments at the reporting date, considering current and projected interest rates. Where actively quoted market prices do not exist, estimated fair values are determined through dealer quotes. See additional information in Note 4.

G. **Assets Held in Trust Funds:** See Note 4 for discussion of estimation of fair value for this instrument.

NOTE 6 — COMMITMENTS AND CONTINGENT LIABILITIES

Under the Farm Credit Act of 1971, each Farm Credit 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 Farm Credit System banks. The total bonds and notes of the System were $179.187 billion at March 31, 2009.

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 7 — EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the District:

(dollars in thousands)	For the three months ended March 31, 2009	2008
Pension	$ 14,049	$ 3,106
401k	1,501	1,421
Other postretirement benefits	2,165	1,950
Total	$ 17,715	$ 6,477

The following table includes retirement and other postretirement benefit contributions for the District. Projections are based upon actuarially determined amounts as of the most recent measurement date of December 31, 2008.

(dollars in thousands)	Actual YTD Through 3/31/09	Projected Contributions for Remainder Of 2009	Projected Total Contributions 2009
Pensions	$ 124	$61,809	$61,933
Other postretirement benefits	1,419	4,858	6,277
Total	$1,543	$66,667	$68,210

Actuarial calculations as of the last plan measurement date (December 31, 2008) projected total contributions of $61.9 million to the District pension plans for all participating institutions for 2009. The funding policy for this plan is to fund the service cost with a seven year amortization schedule using the discount rate determined as of December 31st of the preceding year. This aggregate contribution will be allocated to the participating District institutions based upon each institutions pro rata share of service cost. Market conditions could impact discount rates and return on plan assets which could make additional contributions necessary before the next plan measurement date of December 31, 2009.

Further details regarding employee benefit plans are contained in the 2008 Annual Report to Shareholders.

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Effective January 1, 2009, the District adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," which amends and expands the disclosure requirements for derivative instruments and for hedging activities previously required by SFAS No. 133.

The District maintains an overall interest rate risk management strategy that may incorporate the use of derivative instruments to lower cost of funding or to reduce interest rate risk. The District's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that the net interest margin is not adversely affected by movements in interest rates. As a result of interest rate fluctuations, hedged fixed-rate 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 the District'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 hedged variable-rate assets and liabilities, respectively, will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by the District's gains and losses on the derivative instruments that are linked to these hedged assets and liabilities. The District considers its strategic use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

The District enters into derivatives, particularly interest rate swaps, to lower funding costs, allow it to diversify sources of funding, or alter interest rate exposures arising from mismatches between assets and liabilities. Interest rate swaps allow the District to raise long-term borrowings at fixed rates and swap them into floating rates that are lower than those available to the District if floating rate borrowings were made directly. Under interest rate swap arrangements, the District 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. The District may also purchase interest rate derivatives such as caps in order to reduce the impact of rising interest rates on its floating-rate debt and floors in order to reduce the impact of falling interest rates on its floating-rate assets.

The primary types of derivative instruments used and the amount of activity for the three months ended March 31, 2009 is summarized in the following table:

(dollars in millions)	**Receive-Fixed Swaps**
Balance at beginning of period	$2,223
Additions	-
Maturities/amortization	(200)
Terminations	(50)
Balance at end of period	$1,973

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

To minimize the risk of credit losses, the District deals with counterparties that have an investment grade credit rating from a major rating agency, and also monitors the credit standing of and levels of exposure to individual counterparties. The estimated credit risk exposure at March 31, 2009 of $79.5 million with seven counterparties represents approximately 4.03 percent of the total notional amount of interest rate swaps. The District does not anticipate nonperformance by any of these counterparties. The District typically enters into master agreements that contain netting provisions. These provisions allow the District 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. A number of swaps are supported by collateral arrangements with counterparties. At March 31, 2009, the District had not posted collateral with respect to these arrangements but has required two counterparties to post a total of $32.5 million in interest bearing cash collateral.

All of the District's derivative activities are performed by the Bank, which are monitored by its Asset-Liability Management Committee (ALCO) as part of the Committee's oversight of the District's asset/liability and treasury functions. The Bank's ALCO is responsible for approving hedging strategies that are developed within parameters established by the Bank's board of directors through the Bank's analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the District's overall interest rate risk-management strategies.

Fair-Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedge item attributable to the hedged risk are recognized in current earnings. The District includes the gain or loss on the hedged items in the same line item (interest expense) as the offsetting loss or gain on the related interest rate swaps. The amount of the gain on interest rate swaps recognized in interest expense for the quarter ended March 31, 2009 was $13.0 million, while the amount of the loss on the Systemwide Debt Securities was ($13.0) million. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

(dollars in thousands)	**Balance Sheet Classification – Assets**	**3/31/09 Fair Value**	**Balance Sheet Classification - Liabilities**	**3/31/09 Fair Value**
Derivatives designated as hedging instruments under SFAS No. 133:				
Receive-fixed swaps	Other Assets	$ 111,984	Other Liabilities	$ (102)
Total		$ 111,984		$ (102)

The following table sets forth the effect of derivative instruments on the Statement of Income for the period ended March 31, 2009:

(dollars in thousands)	**Location of Gain or (Loss) Recognized in the Statement of Income**	**Amount of Gain or (Loss) Recognized in the Statement of Income**
Derivatives – Fair Value Hedging Relationships:		
Receive-fixed swaps	Other Income	$ 571
Total		$ 571

NOTE 9 — BANK ONLY FINANCIAL DATA

Condensed financial information of AgFirst Farm Credit Bank follows:

Balance Sheet Data

(dollars in thousands)	**3/31/09** *(unaudited)*	**12/31/08** *(audited)*
Cash, cash equivalents and investment securities	$ 8,499,365	$ 8,270,160
Loans	20,887,873	21,239,330
Less: allowance for loan losses	26,265	44,565
Net loans	20,861,608	21,194,765
Other assets	417,775	446,126
Total assets	$ 29,778,748	$ 29,911,051
Bonds and notes	$ 27,879,013	$ 28,053,023
Mandatorily redeemable preferred stock	225,000	225,000
Other liabilities	317,162	391,936
Total liabilities	28,421,175	28,669,959
Perpetual preferred stock	400,000	400,000
Capital stock and participation certificates	438,672	434,929
Retained earnings	819,347	763,355
Accumulated other comprehensive income (loss)	(300,446)	(357,192)
Total shareholders' equity	1,357,573	1,241,092
Total liabilities and equity	$ 29,778,748	$ 29,911,051

Statement of Income Data

	For the three months ended March 31,	
(dollars in thousands)	**2009** *(unaudited)*	**2008** *(unaudited)*
Interest income	$ 267,868	$ 346,370
Interest expense	160,321	267,930
Net interest income	107,547	78,440
Provision for (reversal of) loan losses	16,701	660
Net interest income after provision for loan losses	90,846	77,780
Noninterest expense, net	(38,332)	(28,790)
Net income	$ 52,514	$ 48,990