FIRST QUARTER 2002

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F. A. Lowrey
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Chief Executive Officer

Richard Kriebel
Richard Kriebel
Chairman of the Board

April 29, 2002

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

(dollars in thousands, except as noted)

The following discussion reviews the consolidated financial condition and results of operations of *Ag***First** *Farm Credit Bank* (*Ag***First** or the Bank) and its subsidiary for the three months ended March 31, 2002. These comments should be read in conjunction with the accompanying consolidated financial statements and the 2001 Annual Report of *Ag***First** *Farm Credit Bank* and its subsidiary.

FINANCIAL CONDITION

Loan Portfolio

Gross loan volume at March 31, 2002 was $11,415,731, a 2.58 percent increase compared to the volume of $11,128,810 at December 31, 2001, and a 17.70 percent increase compared to the volume of $9,699,199 at March 31, 2001. The increases as of March 31, 2002, continue to be consistent with the trends in other Farm Credit Institutions and are attributed to a generally favorable, albeit volatile, agricultural economy. Despite record-low commodity prices, net farm income is projected to reach record-highs due to government payments. The drop in commodity prices, driven by a strong dollar and excess supply, coupled with perceived uncertainty of continuing government support apparently prompted some commercial lenders to begin limiting their exposures to agriculture. Consistent with its mission, the Farm Credit System has not backed away from its commitment to provide sound, adequate and constructive credit to eligible, credit-worthy borrowers.

Loan growth is also attributed, in part, to the growing favor with which borrowers are viewing Associations due to the Associations' patronage payments. Associations generally operate as cooperatives, and as such, distribute earnings to member/borrowers through patronage distributions. This tangible benefit of borrowing from an Association has had a positive impact on the Associations' ability to attract and retain loan volume.

Overall credit quality in the *Ag***First** portfolio at March 31, 2002 remained relatively stable as compared to December 31, 2001. Nonaccrual loan assets in the *Ag***First** loan portfolio at March 31, 2002 increased to $7,056 compared to $704 at December 31, 2001 and $1,304 at March 31, 2001. The increase in nonaccrual volume in the first quarter of 2002 was related to a single loan put into nonaccrual status based on potential cash flow stress related to the bankruptcy of its largest customer. The borrower has in place a plan to file for reorganization and two other lenders have approved a refinancing package that would fully refinance *Ag***First**'s loan. The loan is well collateralized and no loss is anticipated.

The allowance for loan losses at March 31, 2002 of $26,385 is .23 percent of total gross loan volume and 1.68 percent of *Ag***First**'s participation volume. Management considers this allowance to be adequate to absorb potential losses on existing loans.

Liquidity and Funding Sources

As of March 31, 2002, *Ag***First** exceeded the minimum permanent capital, core surplus, total surplus and net collateral ratio requirements under the FCA Regulations. At March 31, 2002, *Ag***First**'s permanent capital ratio was 19.64 percent, core surplus was 9.75 percent, total surplus was 18.81 percent, and net collateral was 106.56 percent. Cash and investment securities totaled $1,897,443 or 14.06 percent of total assets at March 31, 2002, compared to $1,928,577 or 14.57 percent of total assets at December 31, 2001. Interest-bearing liabilities, consisting of bonds and notes, increased by $274,524, or 2.27 percent, at March 31, 2002, compared to bonds and notes outstanding at December 31, 2001. Interest-bearing liabilities increased in order to fund growth in *Ag***First**'s accruing portfolios.

Capital Resources

Total shareholders' equity increased $36,089 from December 31, 2001 to March 31, 2002. This 4.96 percent net increase is the result of an increase of $43,460 in retained earnings related to net income, which was partially offset by accrued dividends for preferred stock of $4,721 and $2,706 related to stock retirements.

Key financial condition comparisons:

	3/31/02	**12/31/01**
Shareholders' Equity to Assets	5.66%	5.50%
Total Liabilities to Shareholders' Equity	16.36:1	16.87:1
Allowance for Loan Losses to Loans	.23%	.23%

RESULTS OF OPERATIONS

Net Interest Income

Net interest income for the three months ended March 31, 2002 was $61,108 compared to $35,061 in the same period of 2001. The $26,047 increase resulted from the growth in accruing loan volume (discussed above) and the Bank's ability to exercise call options on debt in a favorable interest rate environment.

During 2001, *Ag***First** executed call options on a significant volume of fixed-rate debt, replacing the called debt with lower-cost, fixed-rate debt. Although loan prepayment activity offsets a portion of the benefit achieved by calling debt, the efficiency of calling large blocks of debt results in a significant improvement in net interest margin.

Noninterest Income

Noninterest income for the three months ended March 31, 2002 increased $1,048 compared to the same period in 2001. This increase is attributed primarily to increases in loan fees related to prepayment penalties and participation loans.

Noninterest Expense

Noninterest expense in the quarter ended March 31, 2002, increased $9,152, compared to the first three months of 2001. In 2002, realized losses on investments of $3,423 were recorded to charge off the remaining principal balance of an investment that was downgraded in 2001. During the first quarter of 2001, gains in the amount of $2,642 were realized on the sale of investments. In addition, the first quarter of 2002 reflects increases of $1,095 in salaries and employee benefits primarily related to increased retirement expense and an increase in purchased services of $704 primarily related to Districtwide strategic initiative projects.

Key results of operations comparisons:

	Annualized for the three months ended 3/31/02	**For the year ended 12/31/01**
Return on Average Assets	1.34%	1.05%
Return on Average Shareholders' Equity	23.46%	17.40%
Net Interest Income as a Percentage of Average Earning Assets	1.91%	1.50%

Consolidated Balance Sheets

(dollars in thousands)	**March 31, 2002**	**December 31, 2001**
	(unaudited)	
Assets		
Cash and cash equivalents	$ 282,070	$ 265,254
Investment securities	1,615,373	1,663,323
Loans	11,415,731	11,128,810
Less: allowance for loan losses	26,385	25,616
Net loans	11,389,346	11,103,194
Accrued interest receivable	58,219	56,771
Investments in other Farm Credit System institutions	77,606	77,765
Premises and equipment, net	18,247	16,822
Other assets	54,838	50,276
Total assets	$ 13,495,699	$ 13,233,405
Liabilities		
Bonds and notes	$ 12,390,233	$ 12,115,709
Accrued interest payable	74,909	60,442
Other liabilities	35,960	103,467
Total liabilities	12,501,102	12,279,618
Commitments and contingencies		
Preferred Stock	230,560	225,839
Shareholders' Equity		
Capital stock and participation certificates	279,165	281,803
Retained earnings	477,843	439,104
Accumulated other comprehensive income (loss)	7,029	7,041
Total shareholders' equity	764,037	727,948
Total liabilities and equity	$ 13,495,699	$ 13,233,405

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

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2002	2001
Interest Income		
Investment securities and other	$ 16,699	$ 34,866
Loans	139,115	166,273
Total interest income	155,814	201,139
Interest Expense	94,706	166,078
Net interest income	61,108	35,061
Provision for loan losses	1,000	1,000
Net interest income after provision for loan losses	60,108	34,061
Noninterest Income		
Loan fees	2,457	1,377
Miscellaneous	349	381
Total noninterest income	2,806	1,758
Noninterest Expenses		
Salaries and employee benefits	5,148	4,053
Occupancy and equipment	1,821	1,468
Other operating expenses	3,618	2,348
Intra-System financial assistance expenses	3,896	3,417
Realized losses (gains) on investments, net	3,423	(2,642)
Miscellaneous	1,548	1,658
Total noninterest expenses	19,454	10,302
Net income	$ 43,460	$ 25,517

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Preferred Stock	Capital Stock and Participation Certificates	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 2000	$ —	$ 301,189	$ 388,035	$ (1,450)	$ 687,774
Comprehensive income					
Cumulative effect of a change in accounting for derivatives				(1,037)	(1,037)
Net income			25,517		25,517
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments				5,557	5,557
Change in fair value of derivative instruments				816	816
Total comprehensive income					30,853
Capital stock/participation certificates issued/retired, net		(103)			(103)
Balance at March 31, 2001	$ —	$ 301,086	$ 413,552	$ 3,886	$ 718,524
Balance at December 31, 2001	$ 225,839	$ 281,803	$ 439,104	$ 7,041	$ 953,787
Comprehensive income					
Net income			43,460		43,460
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments				(1,424)	(1,424)
Change in fair value of derivative instruments				1,412	1,412
Total comprehensive income					43,448
Capital stock/participation certificates issued/retired, net		(2,638)			(2,638)
Preferred stock dividends accrued	4,721		(4,721)		—
Balance at March 31, 2002	$ 230,560	$ 279,165	$ 477,843	$ 7,029	$ 994,597

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

Consolidated Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2002	2001
Cash flows from operating activities:		
Net income	$ 43,460	$ 25,517
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	987	518
Provision for loan losses	1,000	1,000
Realized (gains) losses on investments, net	3,423	(2,642)
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(1,448)	938
(Increase) decrease in investments in other Farm Credit System institutions	159	190
(Increase) decrease in other assets	(4,562)	(7,045)
Increase (decrease) in accrued interest payable	14,467	(7,713)
Increase (decrease) in other liabilities	(67,507)	(60,494)
Total adjustments	(53,481)	(75,248)
Net cash provided by (used in) operating activities	(10,021)	(49,731)
Cash flows from investing activities:		
Investment securities purchased	(600,266)	(417,570)
Investment securities sold or matured	643,369	428,126
Net (increase) decrease in loans	(287,152)	(202,696)
Purchase of premises and equipment, net	(2,412)	(2,871)
Net cash provided by (used in) investing activities	(246,461)	(195,011)
Cash flows from financing activities:		
Bonds and notes issued	10,338,336	10,213,113
Bonds and notes retired	(10,062,400)	(9,966,759)
Capital stock and participation certificates issued/retired, net	(2,638)	(103)
Net cash provided by (used in) financing activities	273,298	246,251
Net increase (decrease) in cash and cash equivalents	16,816	1,509
Cash and cash equivalents, beginning of period	265,254	241,588
Cash and cash equivalents, end of period	$ 282,070	$ 243,097
Non-cash changes related to hedging activities:		
Decrease (increase) in loans	$ (373)	$ —
Increase (decrease) in bonds and notes	(817)	—
Decrease (increase) in other assets	193	—
Increase (decrease) in other liabilities	(788)	—
Supplemental information:		
Interest paid	$ 80,239	$ 173,791

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 *Ag***First** *Farm Credit Bank* (*Ag***First**) 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, 2001, are contained in the 2001 Annual Report. These unaudited first quarter financial statements should be read in conjunction with the 2001 Annual Report.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with accounting principles generally accepted in the United States of America (GAAP). The results for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for the year ending December 31, 2002.

The Bank maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2002, 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 12-31-00	$ 21,416
Provision for loan losses	1,000
Loans (charged off), net of recoveries	—
Balance at 3-31-01	$ 22,416
Balance at 12-31-01	$ 25,616
Provision for loan losses	1,000
Loans (charged off), net of recoveries	(231)
Balance at 3-31-02	$ 26,385

NOTE 3 — COMMITMENTS AND CONTINGENT LIABILITIES

Under the Farm Credit Act of 1971, each System bank is primarily liable for its portion of systemwide bond and discount note obligations. Additionally, the banks are contingently liable for the systemwide obligations of the System banks. The total consolidated Systemwide debt securities of the System were $82.8 billion at March 31, 2002.

Actions are pending against *Ag***First** 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 financial position of the Bank.