AgFirst Farm Credit Bank
& District Associations

Quarterly Report

Second Quarter 2007

SECOND QUARTER 2007

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August 6, 2007

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) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the District, for the three and six month period ended June 30, 2007. These comments should be read in conjunction with the accompanying financial statements and the 2006 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 June 30, 2007, the District consisted of AgFirst and twenty-three District Associations. Key ratios and data reported below, and in the accompanying financial statements, address the financial performance of the District. However, the six months' results of operations may not be indicative of an entire year due to the seasonal nature of a portion of the District's business.

FINANCIAL CONDITION

Loan Portfolio

Loans outstanding at June 30, 2007, totaled $19.67 billion, an increase of $999.8 million, or 5.35 percent compared to December 31, 2006, and an increase of $2.3 billion or 13.26 percent compared to June 30, 2006. General economic conditions within the District remain favorable. Credit quality remains stable. The increase in loan volume over the twelve month period can be attributed to a number of factors, including an active real estate market, capital expansion by agribusinesses, purchases of participations/syndications and loans, and the inherent value of patronage paid under the cooperative structure.

As of June 30, 2007, the portfolio continued to reflect good credit quality supported by a sound farm sector and general economy. While overall economic conditions continue to be favorable, certain risk factors have the potential to affect the overall farm economy, certain segments, or individual borrowers. Demand for corn due to increases in ethanol production and very tight ending corn stocks will impact the profitability of the meat complex and the grain sector. In addition, volatile fuel and energy prices and adverse weather conditions in some parts of the District could affect borrowers' profitability for all commodities.

Nonaccrual loan assets for the combined District at June 30, 2007, were 0.37 percent of total loans outstanding compared to 0.41 percent at December 31, 2006, and 0.31 percent at June 30, 2006. Loan classifications as of June 30, 2007, have shown minimal change compared to December 31, 2006, and June 30, 2006, as illustrated in the following chart:

Asset Quality as of:			
Classification	**June 30, 2007**	**December 31, 2006**	**June 30, 2006**
Acceptable	96.31%	96.39%	96.27%
OAEM *	2.43%	2.31%	2.42%
Substandard	1.25%	1.30%	1.30%
Doubtful/loss	0.01%	0.00%	0.01%

* *Other Assets Especially Mentioned*

Diversification of the portfolio remains similar to December, 2006, with regard to commodities and geography. Risk factors are stable as reflected by past-due loans, asset quality and non-earning assets.

The allowance for loan losses at June 30, 2007, of $73.6 million, or 0.37 percent of gross loan volume, reflects management's estimate of losses inherent in the portfolio. By comparison, the allowance for losses at December 31, 2006, was $71.9 million, or 0.39 percent of gross loan volume. See Note 2, *Allowance for Loan Losses*, in the Notes to the Combined Financial Statements.

Liquidity and Funding Sources

As of June 30, 2007, AgFirst exceeded all applicable regulatory liquidity requirements. Cash, cash equivalents and investment securities totaled $7.36 billion, or 26.30 percent of total assets at June 30, 2007, compared to $7.14 billion, or 26.69 percent, as of December 31, 2006. Investments increased $984.6 million compared to June 30, 2006. The maximum allowable level of investments is dictated by Farm Credit Administration (FCA) regulation, which currently is set at 35 percent of total loans. Except as noted below, all investment securities were classified as being available-for-sale. 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 liquid investments and Agency-guaranteed rural home loans. At June 30, 2007, AgFirst's coverage was 193 days.

Investment securities at June 30, 2007, included $1.38 billion in investments classified as being held-to-maturity. 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.

The primary source of funds for the District is the issuance of Systemwide Debt Securities through the Federal Farm Credit Banks Funding Corporation. At June 30, 2007, the District had $23.54 billion in total debt outstanding compared to $22.61 billion at December 31, 2006. In addition, other interest-bearing liabilities for the District included $225.0 million in Mandatorily Redeemable Preferred Stock in both periods. Total interest-bearing liabilities increased primarily to fund the increase in loan and investment volume previously mentioned.

Capital Resources

Total District shareholders' equity increased $374.0 million from December 31, 2006, to June 30, 2007. The increase was primarily the result of the AgFirst issuance of $250.0 million of perpetual non-cumulative preferred stock, net income, and capital stock and participation certificates issued. See Note 4, *Preferred Stock*, in the Notes to the Combined Financial Statements, for additional information relating to the preferred stock issue. These increases were offset by retirements of surplus, patronage distributions, a dividend payment on perpetual preferred stock, retirements of protected borrower equity and dividends paid. As of June 30, 2007, AgFirst and each of the District Associations exceeded the applicable permanent capital, core surplus, total surplus and net collateral ratio requirements established by FCA Regulations.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income for the three months ended June 30, 2007, was $175.8 million, an increase of $11.5 million or 6.99 percent compared to the three months ended June 30, 2006. Net interest income for the six months ended June 30, 2007, was $349.0 million, an increase of $23.4 million or 7.19 percent compared to the same period ended June 30, 2006. Net interest income increased due to increases in loan volume and investments, partially offset by a small decrease in net interest margin. The issuance of the additional preferred stock and a corresponding reduction in debt also contributed to the increase in net interest income. The decreases in net interest margin were partially due to continued competition for high quality loans.

The following table illustrates the changes in net interest income:

	For the three months ended June 30, 2007 vs. June 30, 2006			**For the six months ended June 30, 2007 vs. June 30, 2006**		
	Increase (decrease) due to changes in:			**Increase (decrease) due to changes in:**		
(dollars in thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest Income:						
Loans	$ 46,010	$ 12,451	$ 58,461	$ 92,079	$ 33,819	$ 125,898
Investments	10,695	2,035	12,730	24,637	12,482	37,119
Total Interest Income	$ 56,705	$ 14,486	$ 71,191	$ 116,716	$ 46,301	$ 163,017
Interest Expense:						
Systemwide Debt Securities	$ 35,494	$ 24,205	$ 59,699	$ 74,130	$ 65,468	$ 139,598
Changes in Net Interest Income	$ 21,211	$ (9,719)	$ 11,492	$ 42,586	$ (19,167)	$ 23,419

Provision for Loan Losses

The provision for loan losses for the three and six months ended June 30, 2007, were $1.1 million and $1.6 million, respectively, compared to reversals of $15.0 million and $14.9 million, respectively, for the same periods in 2006. The majority of the reversal for the six months ended June 30, 2006, was attributed to a single account, as well as the net decrease in risk exposure across the District reflected by an improvement in credit quality.

Noninterest Income

Noninterest income for the three months ended June 30, 2007, was $13.2 million, a decrease of $6.2 million compared to the same period in 2006. For the six months ended June 30, 2007, noninterest income was $20.0 million, which reflected a decrease of $12.7 million compared to the same period in 2006.

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the three months ended June 30,**			**For the six months ended June 30,**		
(dollars in thousands)	**2007**	**2006**	**Increase/ (Decrease)**	**2007**	**2006**	**Increase/ (Decrease)**
Loan fees	$ 7,738	$ 8,351	$ (613)	$ 11,784	$ 15,553	$ (3,769)
Fees for financially related services	1,912	932	980	3,049	2,396	653
Realized gains (losses) on investments, net	(2)	–	(2)	11	(5)	16
Recognized gains (losses) on on derivatives, net	–	8,306	(8,306)	–	9,797	(9,797)
Gain (loss) on sale of rural home loans	581	741	(160)	(1,106)	1,326	(2,432)
Gains from sale of premises and equipment, net	215	298	(83)	1,102	878	224
Other noninterest income	2,768	796	1,972	5,201	2,780	2,421
Noninterest income	$ 13,212	$ 19,424	$ (6,212)	$ 20,041	$ 32,725	$ (12,684)

The decrease in loan fees for the three and six months ended June 30, 2007, was primarily the result of an adjustment for elimination of correspondent lending loan fees between AgFirst and the District Associations. The decreases in recognized gains on derivatives for the three months and six months ended June 30, 2007, was primarily due to a fair market adjustment on an interest rate swap recorded during the quarter ended June 30, 2006. The decrease in gains on sale of rural home loans for the three and six months ended June 30, 2007, was primarily the result of an elimination adjustment of these gains between AgFirst and the District Associations.

Noninterest Expense

Noninterest expense for the three months ended June 30, 2007, was $82.5 million, an increase of $5.8 million compared to the same period in 2006. For the six months ended June 30, 2007, noninterest expense was $163.1 million, an increase of $10.4 million compared to the same period in 2006.

The following table illustrates the changes in noninterest expense:

Change in Noninterest Expense	**For the three months ended June 30,**			**For the six months ended June 30,**		
(dollars in thousands)	**2007**	**2006**	**Increase/ (Decrease)**	**2007**	**2006**	**Increase/ (Decrease)**
Salaries and wages	$ 48,831	$ 46,316	$ 2,515	$ 95,399	$ 91,588	$ 3,811
Occupancy and equipment	8,293	7,148	1,145	16,395	14,723	1,672
Insurance Fund premium	6,919	6,005	914	13,556	11,718	1,838
Other operating expenses	17,687	16,689	998	35,664	33,480	2,184
Called debt expense	133	–	133	754	–	754
Other noninterest expense	660	569	91	1,298	1,129	169
Noninterest Expense	$ 82,523	$ 76,727	$ 5,796	$ 163,066	$ 152,638	$ 10,428

Key results of operations comparisons:

	Annualized for the six months ended June 30, 2007	**For the year ended December 31, 2006**	**Annualized for the six months ended June 30, 2006**
Return on average assets	1.53%	1.67%	1.93%
Return on average shareholders' equity	12.03%	12.40%	13.76%
Net interest income as a percentage of average earning assets	2.66%	2.80%	2.85%
Net chargeoffs (recoveries) to average loans	0.00%	0.09%	0.002%

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to the 2006 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. 316, or writing Wanda Martin, Controller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank and District Associations can also be obtained at their website, *www.agfirst.com*. AgFirst prepares a quarterly report within 45 days after the end of each fiscal quarter, except that no quarterly report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Combined Balance Sheets

(dollars in thousands)	June 30, 2007	December 31, 2006
	(unaudited)	(audited)
Assets		
Cash and cash equivalents	$ 492,404	$ 651,268
Investment securities:		
Available for sale (amortized cost of $5,486,410 and $5,063,640 respectively)	5,481,960	5,065,621
Held to maturity (fair value of $1,315,843 and $1,392,499 respectively)	1,380,674	1,426,481
Total investment securities	6,862,634	6,492,102
Loans	19,669,369	18,669,616
Less: allowance for loan losses	73,606	71,915
Net loans	19,595,763	18,597,701
Other investments	405,439	428,005
Accrued interest receivable	260,921	246,184
Investments in other Farm Credit System institutions	8,693	8,738
Premises and equipment, net	121,082	120,123
Other property owned	7,808	5,122
Deferred tax assets, net	136	163
Other assets	205,958	211,312
Total assets	$ 27,960,838	$ 26,760,718
Liabilities		
Bonds and notes	$ 23,543,851	$ 22,613,379
Mandatorily redeemable preferred stock	225,000	225,000
Accrued interest and dividend payable	206,258	188,028
Dividends and patronage refunds payable	9,321	115,893
Postretirement benefits other than pensions	108,964	107,178
Other liabilities	185,212	203,057
Total liabilities	24,278,606	23,452,535
Commitments and contingencies	—	—
Shareholders' Equity		
Perpetual preferred stock	400,000	150,000
Protected borrower equity	5,601	6,208
Capital stock and participation certificates	125,549	118,817
Retained earnings		
Allocated	934,302	992,227
Unallocated	2,221,588	2,039,308
Accumulated other comprehensive income	(4,808)	1,623
Total shareholders' equity	3,682,232	3,308,183
Total liabilities and equity	$ 27,960,838	$ 26,760,718

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 June 30, 2007	For the three months ended June 30, 2006	For the six months ended June 30, 2007	For the six months ended June 30, 2006
Interest Income				
Investment securities	$ 95,625	$ 82,943	$ 191,451	$ 154,900
Loans	374,422	315,961	734,586	608,688
Other	5,712	5,664	11,046	10,478
Total interest income	475,759	404,568	937,083	774,066
Interest Expense	299,944	240,245	588,070	448,472
Net interest income	175,815	164,323	349,013	325,594
Provision for (reversal of) loan losses	1,053	(14,975)	1,640	(14,874)
Net interest income after provision for (reversal of) loan losses	174,762	179,298	347,373	340,468
Noninterest Income				
Loan fees	7,738	8,351	11,784	15,553
Fees for financially related services	1,912	932	3,049	2,396
Realized gains (losses) on investments, net	(2)	—	11	(5)
Recognized gains (losses) on derivatives, net	—	8,306	—	9,797
Gain (loss) on sale of rural home loans	581	741	(1,106)	1,326
Gains from sale of premises and equipment, net	222	298	1,109	878
Other noninterest income	2,761	796	5,194	2,780
Total noninterest income	13,212	19,424	20,041	32,725
Noninterest Expenses				
Salaries and employee benefits	48,831	46,316	95,399	91,588
Occupancy and equipment	8,293	7,148	16,395	14,723
Insurance Fund premium	6,919	6,005	13,556	11,718
Other operating expenses	17,687	16,689	35,664	33,480
Called debt expense	133	—	754	—
Other noninterest expense	660	569	1,298	1,129
Total noninterest expenses	82,523	76,727	163,066	152,638
Income before income taxes	105,451	121,995	204,348	220,555
Provision (benefit) for income taxes	(922)	157	(633)	441
Net income	$ 106,373	$ 121,838	$ 204,981	$ 220,114

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, 2005	$150,000	$ 7,628	$ 120,370	$ 925,919	$ 1,943,444	$ (2,976)	$ 3,144,385
Comprehensive income							
Net income					220,114		220,114
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments of $(5)						(17,282)	(17,282)
Total comprehensive income							202,832
Protected borrower equity retired		(1,128)					(1,128)
Capital stock/participation certificates issued/retired, net			(2,405)				(2,405)
Dividends declared/paid			205		(205)		—
Perpetual preferred stock dividends paid					(5,475)		(5,475)
Patronage distribution							
Cash					(10,358)		(10,358)
Retained earnings retired				(60,886)			(60,886)
Patronage distribution adjustment				2,011	(6,024)		(4,013)
Balance at June 30, 2006	$150,000	$ 6,500	$ 118,170	$ 867,044	$ 2,141,496	$ (20,258)	$ 3,262,952
Balance at December 31, 2006	$150,000	$ 6,208	$ 118,817	$ 992,227	$ 2,039,308	$ 1,623	$ 3,308,183
Comprehensive income							
Net income					204,981		204,981
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments of $11						(6,431)	(6,431)
Total comprehensive income							198,550
Preferred stock issued	250,000						250,000
Issuance cost on preferred stock					(2,740)		(2,740)
Protected borrower equity retired		(607)					(607)
Capital stock/participation certificates issued/retired, net			6,420				6,420
Dividends declared/paid			312		(312)		—
Perpetual preferred stock dividends paid					(5,475)		(5,475)
Patronage distribution							
Cash					(8,790)		(8,790)
Allocated retained earnings				261	(261)		—
Nonqualified allocated retained earnings				1,135	(1,135)		—
Retained earnings retired				(61,584)			(61,584)
Patronage distribution adjustment				2,263	(3,988)		(1,725)
Balance at June 30, 2007	$400,000	$ 5,601	$ 125,549	$ 934,302	$ 2,221,588	$ (4,808)	$ 3,682,232

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

Combined Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the six months ended June 30, 2007	2006
Cash flows from operating activities:		
Net income	$ 204,981	$ 220,114
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	8,974	8,492
Amortization of discount on other investments	(11,046)	(10,479)
Provision for (reversal of) loan losses	1,640	(14,874)
(Gains) losses from sale of premises and equipment, net	(1,109)	(878)
(Gains) losses on other property owned, net	72	672
Realized (gains) losses on investments, net	(11)	5
Recognized (gains) losses on derivatives, net	—	(9,797)
Realized (gains) losses on mortgage loans held for sale	1,105	(1,326)
Proceeds from sale of mortgage loans held for sale	9,523	3,552
Amortization of premium/discount on investment securities	(1,097)	(3,191)
(Increase) decrease in accrued interest receivable	(14,737)	(41,694)
(Increase) decrease in amortized discount on notes	4,940	(483)
(Increase) decrease in deferred tax assets, net	27	—
(Increase) decrease in other assets	2,813	2,455
Increase (decrease) in accrued interest payable and dividend payable	18,230	30,136
Increase (decrease) in postretirement benefits other than pensions	1,786	2,118
Increase (decrease) in other liabilities	(22,945)	(236)
Total adjustments	(1,835)	(35,528)
Net cash provided by (used in) operating activities	203,146	184,586
Cash flows from investing activities:		
Investment securities purchased	(1,185,653)	(1,633,278)
Investment securities sold or matured	809,798	1,044,070
Net (increase) decrease in loans	(1,017,707)	(1,198,450)
(Increase) decrease in investments in other Farm Credit System institutions	45	154
Purchases of other investments	(30,767)	(192,849)
Proceeds from payments received on other investments	64,379	47,212
Purchase of premises and equipment, net	(10,484)	(15,299)
Proceeds from sale of premises and equipment, net	1,660	1,386
Proceeds from sale of other property owned	4,619	1,598
Net cash provided by (used in) investing activities	(1,364,110)	(1,945,456)
Cash flows from financing activities:		
Bonds and notes issued	22,376,586	24,090,414
Bonds and notes retired	(21,444,514)	(22,156,131)
Preferred stock issued net of issuance cost	247,260	—
Protected borrower equity retired	(607)	(1,128)
Capital stock and participation certificates issued/retired, net	6,420	(2,405)
Patronage refunds and dividends paid	(115,986)	(101,771)
Dividends paid on perpetual preferred stock	(5,475)	(5,475)
Retained earnings retired	(61,584)	(60,886)
Net cash provided by (used in) financing activities	1,002,100	1,762,618
Net increase (decrease) in cash and cash equivalents	(158,864)	1,748
Cash and cash equivalents, beginning of period	651,268	640,830
Cash and cash equivalents, end of period	$ 492,404	$ 642,578
Supplemental schedule of non-cash investing and financing activities:		
Financed sales of other property owned	$ 10	$ 328
Loans transferred to other property owned	7,387	563
Change in unrealized gains (losses) on investments, net	(6,431)	(17,282)
Non-cash changes related to hedging activities:		
Decrease (increase) in loans	$ —	$ 7
Increase (decrease) in bonds and notes	(6,540)	(12,866)
Decrease (increase) in other assets	2,541	(7,770)
Increase (decrease) in other liabilities	3,999	10,832
Supplemental information:		
Interest paid	$ 564,900	$ 418,819
Taxes paid, net	(1,381)	467

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

Notes to the Combined Financial Statements

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies followed, and the financial condition and results of operations of the District as of and for the year ended December 31, 2006, are contained in the 2006 Annual Report to Shareholders. These unaudited second quarter 2007 financial statements should be read in conjunction with the 2006 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 accounting principles generally accepted in the United States of America (GAAP). The results for the six months ended June 30, 2007, are not necessarily indicative of the results to be expected for the year ending December 31, 2007.

The District maintains an allowance for loan loss in accordance with GAAP. The loan portfolios are reviewed quarterly to determine the adequacy of the allowance for losses. As of June 30, 2007, the allowance for losses is 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:

	For the six months ended June 30,	
	2007	**2006**
Balance at beginning of period	$ 71,915	$ 87,551
Provision for (reversal of) loan losses	1,640	(14,874)
Loans (charged off), net of recoveries	51	(293)
Balance at end of period	$ 73,606	$ 72,384

NOTE 3 — COMMITMENTS AND CONTINGENT LIABILITIES

Under the Farm Credit Act of 1971, each System bank is primarily liable for its portion of Systemwide bond and discount note obligations. Additionally, the banks are jointly and severally liable for the bonds and notes of the other System banks. The total bonds and notes of the System were $140.44 billion at June 30, 2007.

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

NOTE 4 — PREFERRED STOCK

On June 8, 2007, AgFirst issued $250.0 million of Class B Perpetual Non-Cumulative Fixed-to-Floating Rate Subordinated Preferred Stock, Series 1. Dividends on the stock are non-cumulative and will be payable semi-annually in arrears on the fifteenth day of June and December in each year, commencing December 15, 2007 and ending on June 15, 2012, at an annual rate equal to 6.585 percent of the par value of $1 thousand per share, and will thereafter, commencing September 15, 2012, be payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, at an annual rate equal to 3-Month USD LIBOR plus 1.13 percent In the event dividends are not declared on the Class B-1 Preferred Stock for payment on any dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable.

NOTE 5 — EMPLOYEE BENEFIT PLANS

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

	Pension Benefits	
	2007	**2006**
Service cost	$ 7,361	$ 8,154
Interest cost	15,124	13,649
Expected return on plan assets	(19,188)	(18,339)
Amortization of prior service costs	829	630
Recognized net (gain) loss	4,645	6,823
Net periodic benefit cost	$ 8,771	$ 10,917

As of June 30, 2007, no contributions had been made for 2007 to the defined benefit plans. Actuarial projections as of the last plan measurement date (September 30, 2006) projected plan contributions of $760 thousand for 2007. Market conditions could impact discount rates and return on plan assets which could change this expectation, making additional contributions necessary before the next plan measurement date.

The District also participates in a districtwide defined contribution thrift plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For the first six months, the District expensed $2.5 million in 2007 compared to $2.2 million in 2006.

The District also sponsors supplemental retirement and deferred compensation plans for certain key employees. The expenses of these plans are included in the retirement costs above. The District contributed $219 thousand to these plans during the first six months of 2007. The District anticipates making additional contributions of $219 thousand to these supplemental retirement and deferred compensation plans during 2007.

In addition to providing pension benefits, AgFirst and the District Associations provide certain health care and life insurance benefits to retired employees (other postretirement benefits). The following is a table of retirement and postretirement benefit expenses for the six months ended June 30, 2006:

	Other Postretirement Benefits 2007	2006
Service cost	$ 1,182	$ 1,341
Interest cost	3,498	3,242
Amortization of prior service costs	(1,393)	(1,418)
Recognized net (gain) loss	1,065	1,462
Net periodic benefit cost	$ 4,352	$ 4,627

Contributions of $2.6 million were made to the other postretirement benefit plans during the first six months of 2007, and the District anticipates contributing an additional $2.8 million during the remainder of 2007.

NOTE 6 — BANK ONLY FINANCIAL DATA

Condensed financial information of AgFirst Farm Credit Bank follows:

Balance Sheet Data

	6/30/07 *(unaudited)*	12/31/06 *(audited)*
Cash and investment securities	$ 7,185,543	$ 6,941,446
Loans	18,054,032	17,152,337
Less: allowance for loan losses	483	463
Net loans	18,053,549	17,151,874
Other assets	312,449	318,844
Total assets	$ 25,551,541	$ 24,412,164
Bonds and notes	$ 23,543,851	$ 22,613,379
Mandatorily redeemable preferred stock	225,000	225,000
Other liabilities	275,236	392,698
Total liabilities	24,044,087	23,231,077
Perpetual preferred stock	400,000	150,000
Capital stock and participation certificates	312,569	313,353
Retained earnings	799,335	715,753
Accumulated other comprehensive income (loss)	(4,450)	1,981
Total shareholders' equity	1,507,454	1,181,087
Total liabilities and equity	$ 25,551,541	$ 24,412,164

Statement of Income Data

(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
Interest income	$ 359,663	$ 294,160	$ 706,743	$ 556,660
Interest expense	299,610	240,016	587,444	448,078
Net interest income	60,053	54,144	119,299	108,582
Provision for (reversal of) loan losses	(114)	(10,114)	148	(10,114)
Net interest income after provision for loan losses	60,167	64,258	119,151	118,696
Noninterest expense, net	(12,758)	(3,138)	(26,327)	(14,091)
Net income	$ 47,409	$ 61,120	$ 92,824	$ 104,605