AgFirst Farm Credit Bank

Quarterly Report

Third Quarter 2006

THIRD QUARTER 2006

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F. A. Lowrey
Chief Executive Officer

Robert G. Sexton
Chairman of the Board

November 7, 2006

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

The following discussion reviews the consolidated financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst) for the three and nine months ended September 30, 2006. These comments should be read in conjunction with the accompanying consolidated financial statements, the Notes to the Consolidated Financial Statements and the 2005 Annual Report of AgFirst Farm Credit Bank. AgFirst and its related associations (Associations or District Associations) are collectively referred to as the District. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

Prior to 2006, the consolidated financial condition and results of operations included the Farm Credit Finance Corporation of Puerto Rico (the Finance Corporation), a wholly owned subsidiary of AgFirst. However, the operations of the Finance Corporation were suspended and placed into inactive status effective December 31, 2005. The Board of Directors of the Finance Corporation determined there was insufficient financial benefit resulting from island-based tax treatment of the corporation to justify continuing operations. All outstanding capital of the Finance Corporation was transferred to AgFirst on December 31, 2005. This had no material effect on the financial condition of AgFirst.

Key ratios and data reported below, and in the accompanying financial statements, address the financial performance of AgFirst. However, the nine months' results of operations may not be indicative of an entire year due to the seasonal nature of a portion of AgFirst's assets.

FINANCIAL CONDITION

Loan Portfolio

Loans outstanding at September 30, 2006 totaled $16.27 billion, a $1.85 billion, or 12.87 percent, increase compared to total loans outstanding at December 31, 2005, and an increase of $2.11 billion, or 14.87 percent, compared to September 30, 2005. The increase in loan volume over the past twelve months is attributed to an active real estate market, capital expansion by agribusiness, relatively low interest rate opportunities available to borrowers, purchases of participations/syndications and loans, a seasoned association lending staff, and the value inherent to patronage paid under the cooperative structure. Seasonal lending contributed to the increase in loan volume as compared to December 31, 2005.

General economic conditions within the District remain favorable and credit quality remains stable. While overall economic conditions are favorable, specific segments of the agricultural economy, such as poultry continue to experience lower than normal profits. Low poultry prices resulted from an oversupply, primarily due to avian flu concerns overseas. AgFirst is closely following the reports of avian influenza in other parts of the world and is optimistic, at this point, that the trade restrictions and other steps taken by the USDA will adequately protect the poultry industry of the United States. Most poultry companies within the portfolio remain well capitalized following several years of strong profits. Poultry companies are addressing the oversupply by decreasing chick placements. 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. Higher corn prices will have a positive impact on grain farmers and a negative impact to some of the meat sector. Volatile fuel prices will impact borrowers' net income regardless of the commodities they produce.

As of September 30, 2006, AgFirst's loan portfolios continue to perform well, as evidenced by good credit quality that is supported by a sound farm sector and general economy. The $13.78 billion direct note portfolio is the largest of AgFirst's three loan portfolios. As of September 30, 2006, twenty-two of the twenty-three direct notes, representing 98.83 percent of the direct note portfolio, were classified acceptable. The remaining direct note representing 1.17 percent was classified as Other Assets Especially Mentioned (OAEM). All twenty-three of the direct notes are performing and are in compliance with the General Financing Agreement and regulatory requirements for liquidity, earnings and capital.

The credit quality of the participations/syndications portfolio improved over the past twelve months. A significant amount of the improvement in credit quality resulted from the payoff of one adversely classified loan. The portfolio also experienced double-digit growth during the period, all in Acceptable quality loans that contributed to higher credit quality. The credit quality statistics for the participations/syndications portfolio is shown in the following chart:

Participations/Syndications Credit Quality as of:			
Classification	**September 30, 2006**	**December 31, 2005**	**September 30, 2005**
Acceptable	96.67%	96.01%	94.07%
OAEM	2.33%	1.65%	1.97%
Substandard	1.00%	1.67%	3.17%
Doubtful	0.00%	0.67%	0.79%

At September 30, 2006, AgFirst had $54 thousand in allowance for loan losses. AgFirst's credit department reviews all portfolios and recommends reserves as needed. See Note 2, *Allowance for Loan Losses,* in the Notes to the Consolidated Financial Statements.

Liquidity and Funding Sources

As of September 30, 2006, AgFirst exceeded all applicable liquidity requirements. Cash, cash equivalents and investment securities totaled $6.60 billion, or 28.48 percent of total assets at September 30, 2006, compared to $5.81 billion, or 28.38 percent, as of December 31, 2005. Investments increased $1.43 billion compared to September 30, 2005, in response to the Farm Credit Administration's (FCA) revision to liquidity regulations, which increased the maximum allowable level of investments from 30 to 35 percent of total loans. The basis for the maximum allowable level, total loans, also increased between the periods, which contributed to an increased investment balance. Except as noted below, all investment securities were classified as being available-for-sale. At September 30, 2006, AgFirst had 209 days of liquidity coverage as defined by FCA regulations.

Investment securities at September 30, 2006 included $1.32 billion in investments classified as being held-to-maturity. These held-to-maturity investments were primarily Rural Housing Mortgage-Backed Securities (RHMBS) purchased under a Mission-Related Investment pilot program approved by the FCA in 2005. As of September 30, 2006, AgFirst had $1.27 billion in RHMBS. This investment pilot program is intended to increase liquidity for rural housing loans, resulting in more cost-effective credit to homeowners in rural America by providing an incentive to lenders to create RHMBS for sale in the secondary market. The RHMBS must be fully guaranteed by a government agency or GSE. The rural housing loans backing the RHMBS must be conforming first-lien residential mortgage loans originated by non-Farm Credit System lenders in "rural areas" as defined by the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill), or eligible rural housing loans originated by System lenders under FCA Regulations.

The primary source of funds for AgFirst is the issuance of Systemwide Debt securities through the Federal Farm Credit Banks Funding Corporation. At September 30, 2006, AgFirst had $21.50 billion in total debt outstanding compared to $18.88 billion at December 31, 2005. In addition, other interest-bearing liabilities for AgFirst included $225.0 million in Mandatorily Redeemable Preferred Stock (MRPS) for the same periods. Total interest-bearing liabilities increased primarily due to the increase in loan and investment volume previously mentioned.

Capital Resources

Total shareholders' equity increased $147.7 million from December 31, 2005 to September 30, 2006. This 14.23 percent net increase is primarily attributed to the increase in retained earnings related to net income of $149.4 million.

As of September 30, 2006, AgFirst exceeded the minimum permanent capital, core surplus, total surplus and net collateral ratio requirements established by FCA Regulations. AgFirst reported the following regulatory ratios:

	Regulatory Minimum	AgFirst Ratio as of 9/30/06	AgFirst Ratio as of 12/31/05
Permanent Capital Ratio	7.00%	20.11%	20.90%
Total Surplus Ratio	7.00%	20.06%	23.84%
Core Surplus Ratio	3.50%	11.95%	14.15%
Collateral Ratio	103.00% *	105.65%	105.70%

*FCA requires AgFirst to maintain a minimum net collateral ratio of 104.00 percent.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income for the three months ended September 30, 2006 was $60.1 million compared to $51.3 million for the same period of 2005, an increase of $8.8 million or 17.15 percent. For the nine months ended September 30, 2006, net interest income was $168.7 million compared to $150.9 million for the comparable period of 2005, an increase of $17.8 million or 11.81 percent. Net interest income was greater than previous periods, primarily due to increases in loan volume and investments. A non-recurring adjustment to interest income from resolution of a nonaccrual loan account increased interest income by $4.5 million and impacts the rate variance.

The following table illustrates the changes in net interest income:

(dollars in thousands)	For the three months ended September 30, 2006 vs. September 30, 2005 — Increase (decrease) due to changes in: Rate	Volume	Total	For the nine months ended September 30, 2006 vs. September 30, 2005 — Increase (decrease) due to changes in: Rate	Volume	Total
Interest Income:						
Loans	$ 46,655	$ 26,649	$ 73,304	$ 127,571	$ 67,362	$ 194,933
Investments	25,863	18,905	44,768	80,068	56,104	136,172
Total Interest Income	$ 72,518	$ 45,554	$ 118,072	$ 207,639	$ 123,466	$ 331,105
Interest Expense:						
Systemwide Debt Securities	$ 71,934	$ 37,339	$ 109,273	$ 213,149	$ 100,139	$ 313,288
Changes in Net Interest Income	$ 584	$ 8,215	$ 8,799	$ (5,510)	$ 23,327	$ 17,817

Excluding the non-recurring item, rate variances for both periods were negative due to the adverse impact of a flattening yield curve on spreads and a shift in balance sheet composition. As the investments portfolio became a larger percentage of earning assets, its low credit risk and correspondingly thin margins result in an overall decrease in portfolio margins.

Provision for Loan Losses

A provision for loan losses in the amount of $54 thousand was recorded for the third quarter of 2006. A net reversal of provision totaling $10.1 million was recorded for the nine months ended September 30, 2006. The reversal was comprised predominately of a reversal of a specific reserve held for a single nonaccrual loan that was resolved during the period. See Note 2, *Allowance for Loan Losses*, in the Notes to the Consolidated Financial Statements.

Noninterest Income

Noninterest income for the three months ended September 30, 2006 was $(785) thousand, which reflected a decrease of $2.8 million compared to the same period in 2005. For the nine months ended September 30, 2006, noninterest income was $13.2 million, which reflected a decrease of $167 thousand compared to the same period in 2005.

The following table illustrates the changes in noninterest income:

(dollars in thousands)	**For the three months ended 9/30/06**	**For the nine months ended 9/30/06**
Decrease in loan fees	$ (289)	$ (4,735)
Decrease in realized gains on investments, net	(94)	(471)
(Decrease)/Increase in realized gains on derivatives, net	(2,985)	6,812
Increase/(Decrease) in other noninterest income	519	(1,773)
Decrease in noninterest income	**$ (2,849)**	**$ (167)**

The decrease in loan fees for the nine months ended September 30, 2006 was primarily due to reductions of $3.3 million in net participations/syndications fee income as lines of credit were more fully advanced, resulting in lower fees. In addition, prepayment penalty income was $1.3 million lower between periods as refinance activity slowed in a higher interest rate environment. The $3.0 million decrease in gains on derivates for the three months ending September 30, 2006 represents a decrease in the value of derivatives executed to hedge the funding of certain commitments. The $6.8 million increase in gains on derivatives for the nine months ending September 30, 2006 represents the gain realized on liquidating the derivatives and putting permanent financing in place.

Noninterest Expense

Noninterest expense for the three months ended September 30, 2006, was $14.5 million, which reflected a decrease of $80 thousand compared to the corresponding period in 2005. For the nine months ended September 30, 2006, noninterest expense was $42.6 million, which reflected a decrease of $2.1 million compared to the same period in 2005.

The following table illustrates the changes in noninterest expense:

(dollars in thousands)	For the three months ended 9/30/06	For the nine months ended 9/30/06
Decrease in salaries and wages	$ (557)	$ (1,026)
Increase in occupancy and equipment	182	767
Increase in Insurance Fund premium	608	1,842
Decrease in other operating expenses	(652)	(389)
Increase/(Decrease) in Intra-System financial assistance	12	(3,221)
Increase/(Decrease) in called debt expense	220	(338)
Increase in other noninterest expense	107	272
Increase/(Decrease) in noninterest expense	**$ 80**	**$ (2,093)**

ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

On September 29, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 – Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. AgFirst is currently evaluating the impact of implementing this Standard. It is anticipated that the implementation of this Standard will have no impact on the income statement and, based on the current funded status of the defined benefit plans, it is not expected to have a material impact on the balance sheet. See Note 1, *Organization and Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements for additional information.

NOTE: 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 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.

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2006	December 31, 2005
	(unaudited)	(audited)
Assets		
Cash and cash equivalents	$ 594,306	$ 557,882
Investment securities:		
Available for sale (amortized cost of $4,689,090 and $3,888,889 respectively)	4,685,796	3,886,318
Held to maturity (fair value of $1,278,994 and $1,337,860 respectively)	1,316,305	1,369,427
Total investment securities	6,002,101	5,255,745
Loans	16,265,421	14,411,050
Less: allowance for loan losses	54	10,114
Net loans	16,265,367	14,400,936
Accrued interest receivable	97,251	75,410
Investments in other Farm Credit System institutions	66,947	67,139
Premises and equipment, net	26,501	25,851
Other property owned	75	—
Due from associations	27,315	28,808
Other assets	79,589	71,260
Total assets	$ 23,159,452	$ 20,483,031
Liabilities		
Bonds and notes	$ 21,496,061	$ 18,879,964
Mandatorily redeemable preferred stock	225,000	225,000
Accrued interest and dividends payable	183,035	133,855
Patronage distribution payable	—	132,226
Postretirement benefits other than pensions	15,161	14,999
Other liabilities	55,097	59,559
Total liabilities	21,974,354	19,445,603
Commitments and contingencies	—	—
Shareholders' Equity		
Perpetual preferred stock	150,000	150,000
Capital stock and participation certificates	229,158	224,554
Retained earnings	809,235	665,445
Accumulated other comprehensive income (loss)	(3,295)	(2,571)
Total shareholders' equity	1,185,098	1,037,428
Total liabilities and equity	$ 23,159,452	$ 20,483,031

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 September 30, 2006	2005	For the nine months ended September 30, 2006	2005
Interest Income				
Investment securities and other	$ 89,883	$ 45,115	$ 242,851	$ 106,679
Loans	237,893	164,589	641,585	446,652
Total interest income	327,776	209,704	884,436	553,331
Interest Expense	267,675	158,402	715,753	402,465
Net interest income	60,101	51,302	168,683	150,866
Provision for (reversal of) loan losses	54	(1,300)	(10,060)	(1,910)
Net interest income after provision for (reversal of) loan losses	60,047	52,602	178,743	152,776
Noninterest Income				
Loan fees	1,532	1,821	4,344	9,079
Realized gains (losses) on investments, net	—	94	(5)	466
Realized gains (losses) on derivatives, net	(2,985)	—	6,812	—
Other noninterest income	668	149	2,057	3,830
Total noninterest income	(785)	2,064	13,208	13,375
Noninterest Expenses				
Salaries and employee benefits	5,943	6,500	18,060	19,086
Occupancy and equipment	2,707	2,525	8,417	7,650
Insurance Fund premium	911	303	2,495	653
Other operating expenses	4,019	4,671	11,563	11,952
Intra-System financial assistance expenses	—	(12)	—	3,221
Called debt expense	318	98	318	656
Other noninterest expense	611	504	1,740	1,468
Total noninterest expenses	14,509	14,589	42,593	44,686
Net income	$ 44,753	$ 40,077	$ 149,358	$ 121,465

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 2004	$ 150,000	$ 226,200	$ 644,366	$ 3,730	$ 1,024,296
Comprehensive income					
Net income			121,465		121,465
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments of $466				(15,515)	(15,515)
Change in fair value of derivative instruments, includes reclassification adjustments of $66				6,166	6,166
Total comprehensive income					112,116
Capital stock/participation certificates issued/retired, net		(1,645)			(1,645)
Perpetual preferred stock dividends paid			(5,475)		(5,475)
Cash patronage			(4)		(4)
Balance at September 30, 2005	$ 150,000	$ 224,555	$ 760,352	$ (5,619)	$ 1,129,288
Balance at December 31, 2005	$ 150,000	$ 224,554	$ 665,445	$ (2,571)	$ 1,037,428
Comprehensive income					
Net income			149,358		149,358
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments of $(5)				(724)	(724)
Total comprehensive income					148,634
Capital stock/participation certificates issued/retired, net		4,604			4,604
Perpetual preferred stock dividends paid			(5,475)		(5,475)
Cash patronage			(93)		(93)
Balance at September 30, 2006	$ 150,000	$ 229,158	$ 809,235	$ (3,295)	$ 1,185,098

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

Consolidated Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the nine months ended September 30 2006	2005
Cash flows from operating activities:		
Net income	$ 149,358	$ 121,465
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	5,914	4,740
Provision for (reversal of) loan losses	(10,060)	(1,910)
Realized (gains) losses on investments, net	5	(466)
Recognized (gains) losses on derivatives, net	—	(66)
Realized (gains) losses on mortgage loans held for sale	58	(1,143)
Proceeds from sale of mortgage loans held for sale	6,069	4,259
Purchases of mortgage loans held for sale (net of principal repayment)	(196,478)	(198,375)
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(21,841)	(16,983)
(Increase) decrease in due from associations	1,493	15,955
(Increase) decrease in other assets	(6,672)	2,294
Increase (decrease) in accrued interest payable	49,180	45,960
Increase (decrease) in postretirement benefits other than pensions	162	649
Increase (decrease) in other liabilities	8,209	(2,510)
Total adjustments	(163,961)	(147,596)
Net cash provided by (used in) operating activities	(14,603)	(26,131)
Cash flows from investing activities:		
Investment securities purchased	(2,309,269)	(2,887,485)
Investment securities sold or matured	1,562,184	1,580,773
Net (increase) decrease in loans	(1,664,102)	(1,056,388)
(Increase) decrease in investments in other Farm Credit System institutions	192	(118)
Purchase of premises and equipment, net	(6,564)	(4,008)
Net cash provided by (used in) investing activities	(2,417,559)	(2,367,226)
Cash flows from financing activities:		
Bonds and notes issued	36,208,776	29,674,004
Bonds and notes retired	(33,607,000)	(27,179,716)
Capital stock and participation certificates issued/retired, net	4,604	(1,645)
Cash distribution to shareholders	(132,319)	(126,693)
Dividends paid on perpetual preferred stock	(5,475)	(5,475)
Net cash provided by (used in) financing activities	2,468,586	2,360,475
Net increase (decrease) in cash and cash equivalents	36,424	(32,882)
Cash and cash equivalents, beginning of period	557,882	470,258
Cash and cash equivalents, end of period	$ 594,306	$ 437,376
Supplemental schedule of non-cash investing and financing activities:		
Change in unrealized gains (losses) on investments and derivative instruments, net	$ (724)	$ (15,515)
Change in fair value of derivative instruments	—	6,166
Non-cash changes related to hedging activities:		
Decrease (increase) in loans	$ 7	$ 46
Increase (decrease) in bonds and notes	14,321	(29,416)
Decrease (increase) in other assets	(1,657)	1,125
Increase (decrease) in other liabilities	(12,671)	22,014
Supplemental information:		
Interest paid	$ 666,573	$ 356,505

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

Notes to the Consolidated Financial Statements

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of AgFirst Farm Credit Bank and the accounts of the Farm Credit Finance Corporation of Puerto Rico (the Finance Corporation), a wholly owned subsidiary (collectively referred to as AgFirst or the Bank). All prior years transactions and balances between the Bank and the Finance Corporation were eliminated in consolidation. The operations of the Finance Corporation were suspended and placed into inactive status effective December 31, 2005, and all outstanding capital of the Finance Corporation was transferred to AgFirst. This had no material effect on the financial condition of AgFirst.

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, 2005, are contained in the 2005 Annual Report. These unaudited third quarter financial statements should be read in conjunction with the 2005 Annual Report.

On September 29, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 – Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Standard is effective for employers with publicly traded securities for the fiscal year ending after December 15, 2006 and for employers without publicly traded securities for the fiscal year ending after June 15, 2007. The Bank and its related Associations will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, the Bank and its related Associations use a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for fiscal years ending after December 15, 2008. The Bank and its related Associations are currently evaluating the impact of implementing this Standard. It is anticipated that the implementation of this Standard will have no impact on the income statement and, based on the current funded status of the defined benefit plans, it is not expected to have a material impact on the balance sheet.

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 nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the year ending December 31, 2006.

In the first quarter of 2006, AgFirst implemented trade date accounting for investment securities. Previously, the investments were accounted for on the settlement dates. There was no impact on the financial statements at September 30, 2006 as a result of this change.

The Bank maintains an allowance for loan loss in accordance with GAAP. AgFirst's allowance methodology dictates that all loan portfolios are reviewed quarterly and all impaired loans are identified and analyzed to determine if a specific allowance is necessary. As of September 30, 2006, the risk analysis of the Bank's loan portfolios did not identify any impaired loans requiring specific allowances, but did establish a general allowance for a pool of loans purchased in the third quarter of 2006.

NOTE 2 — ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	For the nine months ended September 30, 2006	2005
Balance at beginning of period	$ 10,114	$ 14,800
Provision for (reversal of) loan losses	(10,060)	(1,910)
Recoveries, net of loans charged off	–	310
Balance at end of period	$ 54	$ 13,200

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 $126.1 billion at September 30, 2006.

There are no material claims pending against the Bank in which money damages are asserted.

NOTE 4 — EMPLOYEE BENEFIT PLANS

The Bank participates in a Districtwide defined benefit retirement plan. The costs of the plan are not segregated by participating entities, but are allocated among the participating entities. Pension costs are allocated by multiplying the District's net pension expense times each institution's salary expense as a percentage of the participating institution's salary expense. The Bank also participates in Districtwide defined contribution thrift and other postretirement benefit plans.

The following is a table of retirement and postretirement benefit expenses for the nine months ended September 30, 2006:

	For the nine months ended September 30, 2006	2005
Pension	$ 2,838	$ 2,711
Thrift/deferred compensation	407	414
Other postretirement benefits	832	1,493
Total	$ 4,077	$ 4,618

As of September 30, 2006, the Bank had made no contributions to the Districtwide defined benefit retirement plan. Actuarial projections as of the last plan measurement date (September 30, 2005) did not anticipate any contributions for 2006. Market conditions could impact discount rates and return on plan assets which could change this expectation, making contributions necessary before the next plan measurement date.

The Bank also sponsors supplemental retirement and deferred compensation plans for certain key employees. The expenses of these plans are included in the pension and deferred compensation costs above. The Bank contributed $189 thousand to these plans during the first nine months of 2006. The Bank anticipates making additional contributions of $63 thousand to these supplemental retirement and deferred compensation plans during the remainder of 2006.

In addition to providing pension benefits, the Bank provides certain health care and life insurance benefits to the retired employees (other postretirement benefits). Contributions of $590 thousand were made to the other postretirement benefit plans during the first nine months of 2006, and the Bank anticipates contributing an additional $302 thousand during the remainder of 2006.

NOTE 5 — AGFIRST FARM CREDIT BANK AND DISTRICT ASSOCIATIONS FINANCIAL DATA

Condensed financial information of AgFirst Farm Credit Bank and the District Associations combined follows:

Balance Sheet Data

	9/30/06 *(unaudited)*	**12/31/05** *(audited)*
Cash and investment securities	$ 6,753,850	$ 5,943,795
Loans	17,859,802	16,171,572
Less: allowance for loan losses	73,283	87,551
Net loans	17,786,519	16,084,021
Other assets	1,026,731	746,744
Total assets	$ 25,567,100	$ 22,774,560
Bonds and notes	$ 21,496,061	$ 18,879,964
Mandatorily redeemable preferred stock	225,000	225,000
Other liabilities	489,094	525,211
Total liabilities	22,210,155	19,630,175
Perpetual preferred stock	150,000	150,000
Protected borrower equity	6,282	7,628
Capital stock and participation certificates	118,352	120,370
Retained earnings	3,086,011	2,869,363
Accumulated other comprehensive income (loss)	(3,700)	(2,976)
Total shareholders' equity	3,356,945	3,144,385
Total liabilities and equity	$ 25,567,100	$ 22,774,560

Statement of Income Data

(unaudited)

	For the three months ended September 30, 2006	**2005**	**For the nine months ended September 30, 2006**	**2005**
Interest income	$ 444,066	$ 314,569	$ 1,218,132	$ 852,991
Interest expense	267,935	158,473	716,407	402,611
Net interest income	176,131	156,096	501,725	450,380
Provision for (reversal of) loan losses	2,146	(349)	(12,728)	(1,331)
Net interest income after provision for loan losses	173,985	156,445	514,453	451,711
Noninterest expense, net	(67,216)	(59,923)	(187,570)	(171,640)
Net income	$ 106,769	$ 96,522	$ 326,883	$ 280,071