

U.S. AGBANK, FCB
AUDIT COMMITTEE CHARTER

MISSION STATEMENT

The U.S. AgBank, FCB (AgBank) Audit Committee (Committee) is established by and reports to the AgBank Board of Directors (Board) to assist the Board in fulfilling its fiduciary and oversight responsibilities.

The Mission of the Committee is to review AgBank's financial statements and significant accounting policies, to oversee AgBank's financial reporting regarding its disclosure to shareholders and to the Federal Farm Credit Banks Funding Corporation (Funding Corporation) for disclosure to investors, oversee the audit activities of the independent auditor; and monitor internal controls, including those relating to compliance with laws and regulations.

MEMBERSHIP

The Committee shall consist of seven directors who meet the independence criteria outlined in the AgBank Director Independence Criteria Policy and who are designated by the Board to be independent members; provided, however that no more than two directors of the Committee may be members of the same Farm Credit Association (Association) affiliated with AgBank. Directors who have been designated by the Board as "financial experts" are to be permanent members of the Committee. The Board Chair shall serve as an ex-officio, non-voting member of the Committee.

The Board Chair shall appoint all members of the Committee and announce the appointments in the December Board meeting each year. The intent is that, each year, the Committee will have at least one new member. A newly elected director whose predecessor served on the Audit Committee will assume that position on the Audit Committee until the Board Chair makes Committee appointments.

TERMS OF OFFICE

Committee member terms shall commence on January 1 and expire of December 31 of each year. The Board, upon recommendation of the Committee may remove any Committee member at any time.

OFFICERS

At the conclusion of the December Board meeting, the Committee will convene to select a Chair and Vice Chair from within its membership.

QUALIFICATIONS OF MEMBERS

Members of the Committee should have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements or be able to do so within a reasonable period of time after appointment to the Committee. Each member shall be knowledgeable in public and corporate finance and in financial

reporting and disclosure practices. At least one member of the Committee should have accounting or related financial management expertise and be designated as a financial expert. Each member will meet the criteria for independence established by the Board. This includes being independent of management of any Farm Credit System (System) disclosure entity or Association, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member.

VOTING AND QUORUM

- Quorum. A majority of the Committee members shall constitute a quorum.
- Voting. Voting on Committee matters shall be on a one member-one vote basis. When a quorum is present, the vote of a majority of the Committee members present shall constitute the action or decision of the Committee.

MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require as determined by the Committee. The Committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared in consultation with the Chair or Vice Chair and provided in advance to members, along with appropriate briefing materials. The Committee may at times handle duties and responsibilities of the Committee in concert with the Board during, before, or after Board meetings. Minutes of all Committee meetings will be prepared and approved by the Committee. Minutes will be retained for at least 7 fiscal years.

RESPONSIBILITIES AND AUTHORITIES

For the purpose of achieving the Committee's objectives, the Committee shall have the following responsibilities and authorities. These responsibilities will be discharged with the assistance of appropriate AgBank management, independent auditors, and the Senior Vice President – Internal Audit and Quality Assurance (SVP-IA & QA). The Committee shall have the authority to take corrective actions and/or conduct or authorize special or investigative audits into matters within the Committee's scope of responsibilities. The Committee shall have access to all books, records, facilities, and personnel of AgBank necessary to fulfill its responsibilities. Unless otherwise authorized by amendment to this Charter, the Committee shall not delegate any of its authority to any subcommittee.

- Financial Reporting and Disclosure
 - Review quarterly accounting and financial reports and stockholder disclosures with management and consider whether they are complete and consistent with the information known to Committee members.
 - Require periodic reports from management, the independent auditor, and internal audit regarding any significant proposed regulatory, accounting, or reporting changes and issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements.

- Understand the potential impact to AgBank and to the financial reporting from these developments.
- Review and assess the impact on AgBank and the financial reporting process of any significant accounting or auditing developments or any accounting policy changes relating to AgBank's financial statements.
 - Periodically, but at least annually, review and discuss with AgBank management and the independent auditor AgBank's disclosure controls and procedures.
 - Prior to issuance, approve any annual, quarterly and interim press release of financial information.
 - Oversee the preparation of each AgBank and District quarterly and annual report.
 - Receive and review reports from AgBank's Disclosure Officer in connection with quarterly and annual financial reporting.
 - Receive and review AgBank's internal Disclosure Committee minutes.
 - Review non-financial sections of the annual report before release and consider the accuracy and completeness of the information.
 - Prior to the release of AgBank and District annual reports to shareholders, review a report on disclosures made by AgBank's Chief Executive Officer, Chief Financial Officer, and Chief Credit Officer during their certification process about any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect AgBank's ability to record, process, summarize and report financial information, and any fraud, whether or not material, that involves management or other employees who have a significant role in AgBank's internal controls.
 - Prior to the release of AgBank's and the AgBank District's annual audited financial statements, review with management and the independent auditors the results of the audits including any difficulties encountered and receive reports regarding: (a) all critical accounting policies and practices used by AgBank; (b) all material alternative accounting treatments of financial information within Generally Accepted Accounting Principles (GAAP) that have been discussed with AgBank management, including the ramifications of the use of alternative treatments and disclosures and the treatment preferred by the independent auditor; and (c) other material written communications between the independent auditor and AgBank management, such as any management letter and management's response to the letter, schedule of unadjusted differences, reports on observations and recommendations on internal controls, a listing of adjustments and reclassifications not recorded, and the independent auditor's independence letter.
 - Review each quarterly report of AgBank and the AgBank District prior to its dissemination to the public, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. Notification of Committee Meetings and draft reports will be provided prior to release to each Board member. Quarterly reports will be

reviewed and discussed in a Committee meeting that includes management and the independent auditors. The Board hereby delegates to the Committee the authority to approve the release of quarterly statements.

- Review each annual shareholder's report of AgBank and the AgBank District prior to its dissemination to the public, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. Notification of Committee Meetings and draft reports will be provided to each Board member. Annual reports will be reviewed and discussed in a Committee Meeting that includes management and the independent auditors. If deemed appropriate, after review and discussion, recommend to the Board the inclusion of the financial statements in AgBank and the AgBank District annual reports. Board action is required for final approval and release of the AgBank and the AgBank District annual reports.
 - Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other required information. The report will include a disclosure that the Committee has reviewed and discussed the audited financial statements with management and discussed matters required to be discussed by Statement on Auditing Standards No. 114, (The Auditor's Communication with Those Charged with Governance), with the independent auditors. The report will also reflect that the Committee received written disclosures and a letter from the independent auditors in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and discussed with the independent auditors their independence from AgBank.
 - Approve disclosures made by AgBank management and the independent auditor regarding: (a) the effect of off-balance sheet arrangements that either have, or are reasonably likely to have, a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors; and (b) earnings press releases and other reports or written or electronic material disclosing "pro forma," or "adjusted" non-GAAP information.
 - After the Committee reviews a financial policy, procedure or report, it will record in its minutes its agreement or disagreement with the items under review.
- Independent Auditors
 - After giving due consideration to the need for a single auditor for all System institutions, the Committee is responsible for approval of the appointment, compensation, retention or discharge of the independent auditor. The Committee is responsible for the oversight of the work of the independent auditor, who shall report directly to the Committee for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for AgBank. This includes resolution of disagreements between AgBank management and the independent auditor regarding financial reporting.

- Review and approve the scope, approach, and planning of the annual audit by the independent auditor of AgBank's financial statements, and review the interim and financial reports of the independent auditor with respect to the audits. Ensure that the SVP-IA & QA is involved in the development of the scope of all external audits.
- Pre-approve allowable non-audit services to be provided by the independent auditor, and take appropriate steps to ensure that the independent auditor is not providing prohibited non-audit services, including the receipt of a written certification from the independent auditor to that effect.
- Review any material weaknesses in AgBank's internal accounting control structure identified as a reportable condition by AgBank's independent auditor, and recommend and/or monitor, as deemed necessary by the Committee, the correction of any such deficiency.
- On a regular basis, meet separately in executive session with the independent auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- Review and confirm the independence of independent auditors by obtaining statements from the auditors on relationships between the auditors and AgBank and District Associations, including non-audit services, and discussing relationships with the auditors, including matters specifically required in Statement of Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance) and Part 621 of Farm Credit Administration Regulations. Receive written disclosures and a letter from the independent auditors in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and discuss with the independent auditors their independence from AgBank.
- Receive a written report annually from the independent auditor that describes: the independent auditing firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm; and any steps taken to deal with such issues. Discuss with the independent auditors the contents of the report and the impact of the matters addressed in the report on the quality of services performed by the independent auditors.
- Evaluate annually, after giving due consideration to the need for a single auditor for all System institutions and taking into consideration all relevant circumstances known to the Committee, whether AgBank should change its independent auditor or the partner in charge of performing or reviewing AgBank's audit or other audit team personnel.
- Ensure there are no unjustified restrictions or limitations on the independent auditors.

- Internal Control

- Evaluate the adequacy and effectiveness of AgBank's financial, administrative, operating, and accounting policies through active communications with management, internal audit, and the independent auditor.
- Evaluate the adequacy of AgBank's internal accounting control by review of written reports from the internal and independent auditors and regulators along with management's response and actions to correct any noted deficiencies.
- At least annually, review and discuss management's internal control report with the independent auditor and the SVP-IA & QA.
- Oversee AgBank's system of internal controls, including information technology security and control and those controls relating to AgBank's compliance with applicable laws and regulations or relating to the preparation of quarterly and annual reports.
- Review a summary of the background checks completed on officers and employees involved in accounting and financial reporting. Any background checks on the CEO will be presented to the Board.
- Annually review and recommend to the Board changes to its Code of Ethics.

- Internal Audit

- Review and approve the Internal Audit and Quality Assurance Department Charter.
- Review and approve the annual risk assessment and the annual and three year audit plans developed and recommended by the internal audit function.
- Review and approve the budget, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations on the internal audit function.
- Ensure that internal auditors utilize adequate scopes of work and have full access to all information needed.
- After consulting with the board when deemed appropriate by the Committee, approve the appointment, replacement, dismissal, performance standards, performance evaluation, compensation and bonus of the SVP-IA & QA. The SVP-IA & QA will report directly to the Committee. Compensation and bonus issues will be coordinated with the Compensation Committee.
- Ensure that the SVP-IA & QA has full responsibility for contracting with independent parties to perform any contract audits according to the audit plan or special request.

- Review all reports and findings resulting from the internal audit functions independent evaluation of the systems of internal control and continuing operations.
 - Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
 - On a regular basis, meet separately with the SVP-IA & QA to discuss any matters that the Committee or internal auditor believes should be discussed in an executive session.
- Compliance
 - Review all examination and other reports from regulators submitted to AgBank and monitor management's response to any findings included in these reports.
 - Review the effectiveness of management's compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of noncompliance.
 - Review, on at least an annual basis, with management, the independent auditor, and internal auditors, compliance with AgBank's Codes of Ethics for Board members, the Chief Executive Officer, all Senior Vice Presidents and all Vice Presidents, including the Controller.
 - Obtain regular updates from management and legal counsel regarding compliance matters.
 - Coordination with System Audit Committee
 - Review reports from AgBank to the System Audit Committee regarding all significant deficiencies and material weaknesses in the design or operation of key internal controls over financial reporting that are identified.
 - Review reports from AgBank to the System Audit Committee regarding any fraud, whether or not material, that involves management or other employees who have a significant role in AgBank's internal controls.
 - Review reports from AgBank to the System Audit Committee regarding any significant issues regarding questionable accounting, auditing matters or fraud originating from AgBank's Whistleblower Program.
 - Receive reports from Association Audit Committees involving any significant issues regarding questionable accounting, auditing matters or fraud that could have AgBank District or System level implications. Report significant issues to the Farm Credit System Audit Committee.
 - Respond to any concerns identified by the System Audit Committee and conduct any investigations or other audit committee activities that are necessary to enable the System Audit Committee to fulfill its chartered responsibilities.

- Submit minutes of Committee meetings to the System Audit Committee.
- Review minutes of the System Audit Committee.
- Other Responsibilities
 - Establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission of concerns regarding questionable AgBank accounting or auditing matters (Whistleblower Program).
 - Consult with AgBank's legal counsel or outside counsel, as the Committee may deem appropriate, in order to discharge its responsibilities and duties.
 - Adopt such additional procedures, undertake such activities or utilize such resources as the Committee may deem appropriate, in order to discharge its responsibilities and authorities and to accomplish the stated objectives.
 - Discharge any additional responsibilities and authorities as may be imposed by law or regulations.
 - Perform an annual self-evaluation of the Committee's performance and communicate the results to the Board.
 - Make regular reports to the Board, and prepare annually a report for the Board that summarizes the work performed by the Committee to discharge its responsibilities and authorities. Documentation of the discharge of these responsibilities and authorities will be maintained by the SVP - IA & QA.
 - Perform such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board.

RESOURCES

The Committee shall have the authority to engage independent counsel and other advisers as the Committee deems necessary to carry out its duties, with funding to be provided by AgBank, as determined by the Committee, for: (a) compensating any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services at AgBank; (b) compensating independent counsel and/or other advisers engaged by the Committee; and (c) paying ordinary administrative expenses the Committee incurs in carrying out its duties. A two-thirds majority vote of the full Board is required to deny the Committee's request for resources.

COMMITTEE CHARTER

This Charter will be reviewed by the Board at least annually and may be amended from time to time by action of the Board. The Committee will review and assess the adequacy of this Charter annually, requesting Board approval for any proposed changes.

This Charter will be posted on the public area of the AgBank website and copies made available in printed form upon request.

REPORTING

The Committee will:

- Make regular reports to the Board on the routine discharge of its responsibilities under this Charter.
- Ensure that the Board is kept informed of substantial or exceptional matters or developments pertaining to major areas of its responsibility and, if decision making is involved or a recommendation is developed, report on the process followed, the options considered and the rationale used to support the Committee's decision or recommendation.
- Prepare annually a report for the Board that summarizes the work performed by the Committee to discharge its responsibilities and authorities. Documentation of the discharge of these responsibilities and authorities will be maintained by the SVP-IA & QA.