2003 Annual Report

Farm Credit Services
OF ILLINOIS

We Understand

2003 ANNUAL REPORT

TABLE OF CONTENTS AND GLOSSARY

Farm Credit Services of Illinois, ACA

ACAs	Seventh District Agricultural Credit Associations
AgriBank	AgriBank, FCB
District	Seventh Farm Credit District
Farm Credit Act	The Farm Credit Act of 1971, as amended
FCA	Farm Credit Administration
FCS	Farm Credit Services
Financial Assistance Corporation	Farm Credit System Financial Assistance Corporation
FLCAs	Seventh District Federal Land Credit Associations
Funding Corporation	Federal Farm Credit Banks Funding Corporation
Insurance Corporation	Farm Credit System Insurance Corporation
Insurance Fund	Farm Credit Insurance Fund
PCAs	Seventh District Production Credit Associations
System	Farm Credit System

The financial condition and results of operations of AgriBank materially affect shareholders' investment in the Association. A copy of the combined AgriBank, FCB and Seventh District Associations' financial reports may be requested free of charge by contacting the Association at 2101 West Park Court, P.O. Box 3849, Champaign, Illinois, 61821, (217) 352-1378 or by contacting AgriBank at P.O. Box 64949, St. Paul, MN 55164-0949, (651) 282-8800, or via electronic mail to AGRIBANKMN@farmcredit.com. The District reports are also available through AgriBank's website at www.agribank.com.

Copies of the Association's annual or quarterly reports may be requested, free of charge, by contacting the Association as stated above. The quarterly reports are available 45 days after the end of each calendar quarter.

MESSAGE FROM THE CHAIRPERSON OF THE BOARD AND CHIEF EXECUTIVE OFFICER

To our valued Shareholders:

We are pleased to provide you with another exceptional report of your Association's operations for 2003. We completed the second full year of operations as Farm Credit Services of Illinois, ACA. We continue to grow and excel as a vital organization. This past year provides additional evidence that the merger of our two former associations was the right decision, as we have broken our previous record for new business development set in 2002. We charge ahead into 2004 knowing that we are stronger as one organization.

The Association posted $244.4 million in new farm mortgage loans in 2003, surpassing the 2002 record of nearly $228 million. We saw an 11% increase in the number of loans closed in 2003, and our overall loan approval rate was 93.5%, one percent higher than in 2002. Farmland values remained strong as did farmland available for sale. The Association's appraisers reported a 14% increase in the number of real estate tracts they appraised. Our overall credit quality remained strong at 96.6 %, and the Association reported $18.5 million in net earnings.

Although we recorded new records, many of our customers experienced another year of adverse weather conditions, primarily drought. However, there were pockets of our service area that experienced excessive rain. Crop conditions were termed "surprising," with some being surprised at how well a field yielded, and others were surprised that fields looked good yet yielded poorly.

We are keenly aware that our success hinges on the economy. President Bush in his State of the Union address called the economy "strong and growing stronger." The Federal Open Marketing Committee then took the opportunity to remove its commitment to "keep interest rates accommodative for a considerable period," opening the door to potential rate increases if the economy grows too quickly. Our commitment to you is that we will hold interest rates as low as we possibly can. We intend to stay extremely competitive.

We continued in 2003 working with young and beginning farmers to demonstrate the value Farm Credit brings to the farm. Our program provides greater opportunity to obtain loans and offers reduced interest rates for up to five years to allow them to build equity in their operations. The young, beginning and small programs are part of the national Farm Credit System effort. We have been pleased with the local interest in our programs and services.

We also unveiled a new print and broadcast campaign -- **We Understand** -- designed to raise awareness about Farm Credit Services of Illinois and the value we bring to the farm and marketplace. Our research identified several themes – relationships, customer service, knowledge of agriculture, and life on the farm -- that set us apart from other lenders. Our first advertisements utilized the relationship theme using a farmer, his wife, and their dog, Bob (who is their trusted and understanding companion). Mixed in with this theme were three "off the wall" print advertisements and billboards designed to stop viewers in their tracks.

The second phase of our advertising campaign involves combining last year's ads with new advertisements to infuse emotional meaning into **We Understand**. Our advertisements will focus on local markets, with an emphasis on relationships. Newspaper ads will feature local FCS employees; radio ads will feature locally-voiced tag lines. We want to enhance the relationship our "front line" employees have with farmers and heighten awareness of **We Understand**. Please watch and listen for the Farm Credit Services ads. We believe you will be very proud to be part of the Farm Credit Family.

Traditional year-in-reviews include an examination of our performance and how we can be more successful. We are proud of our success yet know that we cannot rest on those laurels. As a result, the Association board of directors and employees agreed to a new 10-year vision – FCS Dominance 2013. Each director and employee signed a proclamation to "collectively and cooperatively embark on a journey to make our Association the dominant agricultural lender by December 31, 2013, taking the actions and activities necessary to reach that goal." We will be the dominant agricultural lender when we significantly increase our market share, maintain a high level of employee and customer satisfaction with our services and our culture, enhance the awareness of our organization and tell our story of success. As we enter the first year of this 10-year vision, we are excited about the possibilities and proud to be part of such a vital organization.

We want to express our thanks for your support and commitment to Farm Credit Services of Illinois. We look forward to working with you to build a successful future together.

Sincerely,

Lance C. Beery	Ronald W. Frenn
Chairperson of the Board	Chief Executive Officer
Farm Credit Services of Illinois, ACA	Farm Credit Services of Illinois, ACA

February 13, 2004

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Farm Credit Services of Illinois, ACA
(Dollars in thousands)

	2003	2002	2001	2000*	1999*
Statement of Condition Data					
Loans	**$1,270,109**	$1,166,756	$999,739	$851,231	$824,834
Allowance for loan losses	**25,377**	24,223	22,106	19,659	19,212
Net loans	**1,244,732**	1,142,533	977,633	831,572	805,622
Investment in AgriBank	**26,388**	26,388	20,554	26,915	27,157
Other property owned	**7**	7	150	157	7
Other assets	**28,479**	33,391	34,045	36,493	32,805
Total assets	**$1,299,606**	$1,202,319	$1,032,382	$895,137	$865,591
Obligations with maturities of one year or less	**$1,075,608**	$996,167	$849,955	$731,133	$721,901
Obligations with maturities greater than one year	**--**	--	--	--	--
Total liabilities	**1,075,608**	996,167	849,955	731,133	721,901
Protected members' equity	**384**	436	515	623	677
Capital stock and participation certificates	**10,258**	10,880	11,786	12,085	12,706
Allocated surplus	**--**	--	--	--	--
Unallocated surplus	**213,356**	194,836	170,126	151,296	130,307
Total members' equity	**223,998**	206,152	182,427	164,004	143,690
Total liabilities and members' equity	**$1,299,606**	$1,202,319	$1,032,382	$895,137	$865,591
Statement of Income Data					
Net interest income	**$32,516**	$30,338	$27,131	$25,686	$22,399
Provision for loan losses	**1,089**	1,872	2,179	547	2,843
Compensation income	**--**	427	1,717	2,930	3,484
Patronage and dividend income	**2,746**	9,555	4,011	5,329	2,791
Other expense, net	**15,026**	12,431	10,752	10,059	11,738
Provision for income taxes	**627**	1,307	1,098	2,350	1,185
Extraordinary item	**--**	--	--	--	--
Net income	**$18,520**	$24,710	$18,830	$20,989	$12,908
Key Financial Ratios					
Return on average assets	**1.5%**	2.2%	1.9%	2.5%	1.5%
Return on average members' equity	**8.6%**	12.9%	10.9%	13.8%	9.4%
Net interest income as a percentage of average earning assets	**2.7%**	2.8%	2.9%	3.2%	2.7%
Members' equity as a percentqge of assets	**17.2%**	17.1%	17.7%	18.3%	16.6%
Net chargeoffs as a percentage of average loans	**--**	--	--	--	0.1%
Allowance for loan losses as a percentage of loans	**2.0%**	2.1%	2.2%	2.3%	2.3%
Permanent capital ratio	**15.3%**	15.6%	16.4%	17.0%	15.1%
Total surplus ratio	**14.5%**	14.7%	15.3%	15.6%	13.6%
Core surplus ratio	**14.1%**	13.8%	14.1%	13.5%	11.5%
Other					
Loans serviced for AgriBank	**$ --**	$ --	$50,447	$125,648	$147,137

No income was distributed to members in the form of cash, dividends, stock or allocated surplus during the five years presented.

** Combined for restructure and merger activity as discussed in Note 1.*

(Dollars in thousands, except as noted)

The commentary which follows reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of Illinois, ACA and its subsidiaries (the Association) and provides additional information specific to the Association. This discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

On July 1, 2001, Farm Credit Services of Central Illinois, FLCA and Farm Credit Services of Southeastern Illinois, FLCA merged to form Farm Credit Services of Illinois, FLCA (the FLCA) and Farm Credit Services of Central Illinois, PCA and Farm Credit Services of Southeastern Illinois, PCA merged to form Farm Credit Services of Illinois, PCA (the PCA). The merged Associations then restructured their operations to create a parent-subsidiaries structure. Under this structure, the FLCA and the PCA became wholly-owned subsidiaries of an ACA parent company, Farm Credit Services of Illinois, ACA. The restructuring provides certain advantages of an ACA structure while maintaining the tax exempt status of the FLCA. Additional information regarding this restructuring is included in Note 1. The former Associations had been operating under a joint management agreement since April 9, 1999.

Overview and Outlook

Agricultural economic conditions were generally good in 2003 as a result of price increases in some commodities and the continued assistance of government payments. Additionally, the relatively low interest rate environment has allowed many borrowers to lower their borrowing costs, which improves their profitability. National net farm income for 2003 is expected to increase 58% over 2002 levels according to United States Department of Agriculture projections.

Direct government support payments have historically accounted for a significant portion of net farm income for producers in the states served by the District. The Farm Security and Rural Investment Act of 2002 was signed into law in May of 2002 and is now in its second of six years. The Act continued significant federal financial assistance to wheat, feed grains, cotton, rice, and oilseeds, as well as expanded assistance to certain specialty crops, and certain livestock operations (particularly smaller dairy farms). The Act provides a high degree of income support for major crops important to the District's geography, which helps support credit quality. Additionally, the Act removes some of the uncertainty around continued government support and decreases the volatility of overall farm income.

The southern portion of the territory experienced extremely wet planting conditions, causing crops to be planted late, with many borrowers having to replant. Corn yields in this area were good, but soybean yields suffered. The northern portion of the territory experienced excellent planting conditions and had record corn yields as was anticipated. Soybeans, however, were a disappointment, as the crop looked good, but when the harvest was completed it was found that the beans were small and some pods did not have any beans in them. A slight increase in bean prices helped to offset the low bean yields.

Loan Portfolio

At December 31, 2003, the Association's loans totaled $1,270,109. The changes in loan volume for the last two years were as follows:

Change in loan volume	**2003 vs. 2002**		2002 vs. 2001	
Accrual				
Mortgage	**$69,137**	**7.6%**	$152,384	20.1%
Commercial	**11,990**	**4.8%**	$19,523	8.5%
Nonaccrual	**22,226**	**426.7%**	(4,890)	(48.4%)
Total loans	**$103,353**	**8.9%**	$167,017	16.7%

The Association's focus on customer satisfaction, strong market conditions and a favorable interest rate environment along with increased participation activity resulted in growth in loan volume during 2003.

The following table summarizes risk assets (accruing volume includes accrued interest receivable) and delinquency information:

As of December 31	**2003**	2002	2001
Loans:			
Accruing restructured	**$265**	$284	$244
Past due 90 days or more still accruing	**75**	--	183
Nonaccrual	**27,435**	5,209	10,099
Total risk loans	**27,775**	5,493	10,526
Other property owned	**7**	7	150
Total risk assets	**$27,782**	$5,500	$10,676
Risk loans as a % of total loans	**2.2%**	0.5%	1.0%
Total delinquencies as a % of total loans	**1.6%**	0.2%	0.5%

Nonaccrual volume increased mainly due to two large hog operation loans and two capital market loans which were moved to nonaccrual in 2003. Based on management's analysis, the Association's loans 90 days or more past due and still in accrual status were adequately secured and in process of collection.

The volume of nonaccrual loans was at an acceptable level at December 31, 2003 and represented 2.2 % of the Association's total portfolio. At December 31, 2003, 30.9% of the Association's nonaccrual loans were current as to principal and interest.

Favorable growth in the association's loan portfolio did not come at the expense of higher credit risk. Credit quality in 2003 remained stable at 3.3%.

The Association's portfolio is heavily concentrated in corn and soybean, representing approximately 70% of the total portfolio.

The commercial loan portfolio exhibits some seasonality. These loans are normally at lowest levels during the winter months because of operating repayments following harvest and then increase throughout the year as farmers borrow for operating and capital needs.

The allowance for loan losses is maintained at a level consistent with the potential risk of loss as identified by management considering such factors as loan loss experience, portfolio quality, portfolio concentrations, and economic and environmental factors.

In certain circumstances, risk is reduced through the use of various government guarantee programs. At December 31, 2003, $19,005 of the Association's loans contained certain levels of guarantees under such programs.

Comparative allowance coverage of various loan categories follows:

As of December 31	**2003**	2002	2001
Allowance as a % of:			
Loans	**2.0%**	2.1%	2.2%
Nonaccrual loans	**92.5%**	465.0%	218.9%
Total risk loans	**91.4%**	441.0%	210.0%
Net chargeoffs as a % of average loans	**- -**	--	--

In the opinion of management, the Association's allowance for loan losses was reasonable in relation to the inherent risk in the loan portfolio at December 31, 2003.

In June 2003, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee (AcSEC) issued a proposed Statement of Position – Allowance for Credit Losses, which was intended to clarify the methodology for estimating the allowance for credit losses and to enhance financial statement disclosures related to the allowance for credit losses. In January 2004, AcSEC withdrew its proposed Statement of Position and announced that it would focus instead on improving financial statement disclosures in this area.

System institutions plan to conduct studies to further refine their allowance methodologies, including what is currently acceptable and permissible under generally accepted accounting principles, focusing specifically on the Securities and Exchange Commission and Federal Financial Institutions Examination Council guidelines. Such a study would likely be completed by the fourth quarter of 2004 with any appropriate changes to the allowance for loan losses implemented at that time.

The Association has specific programs in place to provide financing and related services to young, beginning and small farmers in the Association's territory.

Additional loan information is included in Notes 3, 13 and 14.

Results of Operations

The following table illustrates profitability information:

For the year ended December 31	**2003**	2002	2001
Net income	**$18,520**	$24,710	$18,830
Return on average assets	**1.5%**	2.2%	1.9%
Return on average members' equity	**8.6%**	12.9%	10.9%

The changes in the components of net income are summarized in the following table:

Increase (decrease) in net income	**2003 vs. 2002**	2002 vs. 2001
Net interest income	**$2,178**	$3,207
Provision for loan losses	**783**	307
Compensation income	**(427)**	(1,290)
Patronage and dividend income	**(6,809)**	5,544
Financially related services and miscellaneous income, net	**50**	329
Operating expenses	**(2,645)**	(2,008)
Provision for income taxes	**680**	(209)
Total change in net income	**($6,190)**	$5,880

Net interest income for the Association was $32,516 for the year ended December 31, 2003. The following table quantifies changes in net interest income:

Changes in net interest income due to:	**2003 vs. 2002**	2002 vs. 2001
Changes in volume	**$3,395**	$4,310
Changes in rates	**(1,289)**	(1,480)
Changes in nonaccrual income and other	**72**	377
Net change	**$2,178**	$3,207

Net interest margin (net interest income divided by average earning assets) was 2.7%, 2.8% and 2.9% for the Association for 2003, 2002 and 2001, respectively.

The Association's net interest income included income on nonaccrual loans totaling $1,395, $561 and $233 in 2003, 2002 and 2001, respectively. Nonaccrual income is only recognized when received in cash, collection of the recorded investment is fully expected and the loan does not have any unrecovered prior chargeoffs.

The decrease in the Association's provision for loan losses is reflective of management's determination that the level of allowance for loan losses is adequate to absorb the inherent risk in the portfolio.

In prior years, the Association received compensation on a net interest margin (NIM) basis for servicing certain AgriBank-owned loans within its territory. This income declined in 2002 due to the purchase by the Association, during 2002 of all of these assets formerly serviced for AgriBank. Accordingly, the Association no longer receives such compensation income. As a percentage of average assets serviced, compensation was 2.7% and 2.4% in 2002 and 2001, respectively.

The Association received patronage from AgriBank which was based on the average balance of the Association's note payable to AgriBank at a rate which was set by AgriBank's Board of Directors. During 2003, 2002 and 2001, the Association recorded patronage refunds from AgriBank under this methodology of $2,508, $2,924 and $2,732, respectively. The changes in the patronage refund amounts are related to changes in the patronage rate and to changes in the Association's note payable to AgriBank. The patronage rates paid by AgriBank in 2003, 2002 and 2001 were 24.8 basis points, 32 basis points and 32 basis points, respectively.

The Association also received a second component of patronage, referred to as equalization, from AgriBank effective January 1, 2003. Equalization is based on the quarterly average balance of the amount of investment in AgriBank held over the required amount of investment. The equalization rate is set by AgriBank's Board of Directors and is targeted to equal the average cost of funds for all associations as a group. Equalization income totaled $238 for 2003. Prior to 2003, the Association received dividends on both the excess and required AgriBank investment. Dividend income totaled $797 and $1,279 for the Association in 2002 and 2001, respectively. No dividend income was received in 2003 or is expected in future years.

In addition, in December of 2002 and prior to the AgriBank merger discussed in the Relationship with AgriBank section, the Association recorded a special stock patronage refund from AgriBank in the amount of $5,834. This refund represented the Association's share of a one-time, $100 million distribution to provide for greater equalization of surplus between shareholders of AgriBank and AgAmerica, FCB. The distribution was based on the average balance of the Association's note payable to AgriBank and the average loans serviced for AgriBank measured over a three year period ending December 31, 2001.

The Association originates rural home loans for resale to the secondary market. Loans sold through the secondary market totaled $11,758, $15,067 and $17,616 for the years ended December 31, 2003, 2002 and 2001, respectively. Fee income from secondary market activities totaled $223, $250 and $286 for 2003, 2002 and 2001, respectively.

The following presents a comparison of operating expenses by major category and the operating rate (operating expenses as a percentage of average earning assets plus assets serviced) for the past three years:

For the year ended December 31	2003	2002	2001
Salaries and benefits	**$8,689**	$8,191	$7,465
Purchased and vendor services	**2,458**	2,203	1,810
Advertising and promotion	**1,399**	954	413
Communications	**310**	313	293
Occupancy and equipment	**1,293**	1,260	1,261
Examination	**415**	392	469
System insurance	**1,443**	332	--
Other	**1,965**	1,682	1,608
Total	**$17,972**	$15,327	$13,319
Operating rate	**1.5%**	1.4%	1.3%

The operating expense increases were primarily related to increased system insurance expense, advertising and promotion, and salaries and benefits expense.

The Association recorded tax expense of $627 for the year ended December 31, 2003 compared to $1,307 and $1,098 for 2002 and 2001, respectively. This decrease in tax expense from 2002 to 2003 is due to the decrease in taxable income of the PCA. See Note 9 for additional discussion.

The changes in the Association's return on average assets and return on average members' equity were directly related to the changes in income discussed above, changes in assets discussed in the Loan Portfolio section and changes in members' equity discussed in the Capital Adequacy section below.

Funding and Liquidity

The Association receives external funding by borrowing from AgriBank under a line of credit as described in Note 7. During 2003, the note payable to AgriBank in the form of a line of credit averaged $1,009,730. The average interest rate on these funds for 2003 was 2.5%. The Association's other source of lendable funds is from unallocated surplus.

The Association's approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank. At December 31, 2003, the Association had $253,826 available under its line of credit. The Association generally applies excess cash to its note payable.

The Association offers variable, fixed, capped, indexed and adjustable interest rate loan and lease programs to its borrowers. The Association determines the interest margins charged on each lending program. The rates charged to borrowers are based on the Association's cost of funds as well as on marginal pricing concepts designed to position the Association to be competitive with other lenders and generate sufficient earnings.

The repricing attributes of the Association's line of credit from AgriBank generally correspond to the repricing attributes of the Association's loan portfolio. This methodology significantly reduces the Association's market interest rate risk.

Capital Adequacy

The Association's total members' equity increased $17,846 during 2003, reflecting net income for the period, partially offset by a decrease in capital stock and participation certificates outstanding.

Information regarding the Association's members' equity position follows:

As of December 31	2003	2002	2001
Members' equity	**$223,998**	$206,152	$182,427
Surplus as a % of members' equity	**95.2%**	94.5%	93.3%
Permanent capital ratio	**15.3%**	15.6%	16.4%
Total surplus ratio	**14.5%**	14.7%	15.3%
Core surplus ratio	**14.1%**	13.8%	14.1%

The surplus and the allowance for loan losses represent the Association's reserve for adversity prior to impairment of stock and are key to the Association's capital plan. Prudent capital management will help to ensure that member needs can be met and interests can be protected into the future.

At December 31, 2003, the Association's permanent capital ratio, total surplus ratio and core surplus ratio exceeded the regulatory minimums of 7%, 7% and 3.5%, respectively. These ratios are further discussed in Note 8.

In addition to these regulatory requirements, the Association and its Board establish an optimum permanent capital target. This optimum target allows the Association to maintain a capital base adequate for future growth and investment in new products and services. This optimum target is subject to revision as circumstances change. As of December 31, 2003, the Association's optimum permanent capital target was 14%.

The changes in the capital ratios for the Association reflect the changes in capital and assets. Refer to the Loan Portfolio section for further discussion of the changes in assets. The changes in members' equity are more fully explained above. Additional members' equity information is included in Note 8.

Initiatives

The Association is involved in a number of initiatives designed to improve the delivery of credit and related services to its customers. These initiatives have been designed to increase the Association's marketplace presence. The following paragraphs are a brief discussion of these initiatives:

The Association participates in ProPartners Financial with various other associations in North Dakota, Minnesota, Illinois, Wisconsin, and Michigan. ProPartners Financial provides supplier and term credit financing programs for regional and national agribusiness companies to finance purchases by their producer customers. ProPartners Financial is directed by representatives from the participating associations. The income, expense and loss sharing arrangements are based on each association's participation interest of ProPartners Financial volume. Each association's allocation is established according to a prescribed formula which includes risk funds of the associations as well as program volume within their territories. At December 31, 2003, the Association had approximately $29.6 million of ProPartners Financial volume.

The Association offers Farm Cash Management to its members. Farm Cash Management links a member's revolving line of credit with an AgriBank Investment Bond to optimize a member's use of funds.

In the second half of 2002 the Association retained the services of Chandler Ehrlich, an advertising agency from Memphis, Tennessee. The Association is investing in an image campaign to increase name recognition in the marketplace and relate the benefits and value the Association brings to the marketplace.

Through an agreement with 1st Farm Credit Services the Association participates in employing an individual to assist in marketing capital market loans. Under this agreement, the Association shares loan participations on an equal basis with 1st Farm Credit Services.

The Association has formed an alliance with five other associations in the district that range from $1 billion to $3 billion in size. This alliance was formed for the purpose of sharing best practices, resources, and research and development. A monetary commitment is made by each association into a research and development fund.

The Association has formed an alliance with the Illinois Auctioneers Association. Through this alliance the Illinois Auctioneers Association has access to the classifieds section of the Association's internet website that is shared with 1st Farm Credit Services.

Relationship with AgriBank

In accordance with the Farm Credit Act, the Association borrows from AgriBank to fund its lending operations. This indebtedness is governed by a General Financing Agreement as discussed in Note 7. Approval from AgriBank would be required for the Association to borrow elsewhere. The Association's cost of funds on its note payable to AgriBank is composed of a marginal cost of debt (MCD) component, a cost of servicing component, a bank spread component, and a risk premium component, if applicable. The MCD approach simulates match-funding the cost of underlying debt with substantially the same terms as the anticipated terms of the loans being funded. This methodology substantially protects the Association from interest rate risk.

The Association is required as a condition of borrowing from AgriBank to invest in AgriBank capital stock. This investment may be in the form of purchased stock or stock representing previously distributed AgriBank surplus. As of December 31, 2003, the Association is required to maintain a common stock investment equal to 2.05% of the average quarterly balance of its note payable to AgriBank. Current projections indicate that this required percentage will increase periodically, reaching 2.5% by December 31, 2006. AgriBank's current bylaws permit AgriBank to increase the required investment to 4%, if necessary. At December 31, 2003, the Association's entire investment in AgriBank consisted of stock representing distributed AgriBank surplus, including that distributed on December 31, 2002. Through 2002, the entire stock investment in AgriBank was dividend bearing. No dividend income was received in 2003 or is expected in future years.

Beginning January 1, 2003, the Association receives, as part of AgriBank's patronage program, equalization income based on the amount of investment in AgriBank over the required amount of investment. Additionally, the Association receives a second component of patronage income based upon the Association's average note payable to AgriBank. Patronage rates are set by AgriBank's Board of Directors.

The Association also purchases various services from AgriBank. These services include information systems, certain financial, accounting and reporting services, and selected retail product processing and support.

Due to the nature of the Association's financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially affect shareholders' investment in the Association. A copy of the combined AgriBank, FCB and Seventh District Associations' financial reports may be requested free of charge by contacting the Association at 2101 West Park Court, P.O. Box 3849, Champaign, Illinois, 61821, (217) 352-1378 or by contacting AgriBank at P.O. Box 64949, St. Paul, MN 55164-0949, (651) 282-8800, or via electronic mail to AGRIBANKMN@farmcredit.com. The District reports are also available through AgriBank's website at www.agribank.com.

Effective January 1, 2003, AgriBank and AgAmerica, FCB (AgAmerica) merged and retained the AgriBank name. As part of the merger transaction, one of AgAmerica's two Association shareholders, Northwest FCS, reaffiliated from AgAmerica to CoBank, ACB on the effective date of the merger. AgriBank and AgAmerica had been operating under a joint management agreement since January 1, 2002.

REPORT OF MANAGEMENT

Farm Credit Services of Illinois, ACA

The consolidated financial statements of Farm Credit Services of Illinois, ACA are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. The consolidated financial statements, in the opinion of management, fairly present the financial condition of the Association. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be reasonable in relation to the benefits derived. To monitor compliance, financial operations audits are performed. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent auditors, who also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The Association's Board of Directors has overall responsibility for the Association's system of internal control and financial reporting. The Board consults regularly with management and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify that Farm Credit Services of Illinois, ACA's annual report has been prepared in accordance with applicable statutory or regulatory requirements and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Lance C. Beery
Chairperson of the Board
Farm Credit Services of Illinois, ACA

Ronald W. Frenn
Chief Executive Officer
Farm Credit Services of Illinois, ACA

February 13, 2004

REPORT OF INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

To the Board of Directors and Members of
Farm Credit Services of Illinois, ACA

We have audited the accompanying consolidated statement of condition of Farm Credit Services of Illinois, ACA and its subsidiaries as of December 31, 2003, 2002 and 2001, and the related consolidated statements of income, of changes in members' equity and of cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Farm Credit Services of Illinois, ACA and its subsidiaries at December 31, 2003, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

February 13, 2004
Minneapolis, Minnesota

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

	December 31		
	2003	2002	2001
ASSETS			
Loans	**$1,270,109**	$1,166,756	$999,739
Allowance for loan losses	**25,377**	24,223	22,106
Net loans	**1,244,732**	1,142,533	977,633
Investment in AgriBank	**26,388**	26,388	20,554
Accrued interest receivable	**18,937**	20,968	21,537
Premises and equipment, net	**2,909**	3,134	3,155
Other property owned	**7**	7	150
Net deferred income tax asset	**1,952**	1,620	2,049
Other assets	**4,681**	7,669	7,304
Total assets	**$1,299,606**	$1,202,319	$1,032,382
LIABILITIES			
Note payable to AgriBank	**$1,063,948**	$984,057	$836,509
Accrued interest payable	**6,247**	7,382	9,223
Other liabilities	**5,413**	4,728	4,223
Total liabilities	**1,075,608**	996,167	849,955
Contingencies			
MEMBERS' EQUITY			
Protected members' equity	**384**	436	515
Capital stock and participation certificates	**10,258**	10,880	11,786
Unallocated surplus	**213,356**	194,836	170,126
Total members' equity	**223,998**	206,152	182,427
Total liabilities and members' equity	**$1,299,606**	$1,202,319	$1,032,382

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

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

Year ended December 31	**2003**	2002	2001
Interest income	**$57,793**	$60,957	$68,056
Interest expense	**25,277**	30,619	40,925
Net interest income	**32,516**	30,338	27,131
Provision for loan losses	**1,089**	1,872	2,179
Net interest income after provision for loan losses	**31,427**	28,466	24,952
Other income			
Compensation income	**--**	427	1,717
Patronage and dividend income	**2,746**	9,555	4,011
Financially related services and miscellaneous income, net	**2,946**	2,896	2,567
Total other income	**5,692**	12,878	8,295
Operating expense			
Salaries and employee benefits	**8,689**	8,191	7,465
Other operating	**9,283**	7,136	5,854
Total operating expense	**17,972**	15,327	13,319
Income before income taxes	**19,147**	26,017	19,928
Provision for income taxes	**627**	1,307	1,098
Net income	**$18,520**	$24,710	$18,830

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

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2000*	$623	$12,085	$151,296	$164,004
Net income	--	--	18,830	18,830
Capital stock/participation certificates issued	--	1,594	--	1,594
Capital stock/participation certificates retired	(108)	(1,893)	--	(2,001)
Balance at December 31, 2001	515	11,786	170,126	182,427
Net income	--	--	24,710	24,710
Capital stock/participation certificates issued	--	684	--	684
Capital stock/participation certificates retired	(79)	(1,590)	--	(1,669)
Balance at December 31, 2002	436	10,880	194,836	206,152
Net income	**--**	**--**	**18,520**	**18,520**
Capital stock/participation certificates issued	**--**	**738**	**--**	**738**
Capital stock/participation certificates retired	**(52)**	**(1,360)**	**--**	**(1,412)**
Balance at December 31, 2003	**$384**	**$10,258**	**$213,356**	**$223,998**

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

** Combined for restructure and merger activity as discussed in Note 1.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Farm Credit Services of Illinois, ACA
(Dollars in thousands)

Year ended December 31	**2003**	2002	2001
Cash flows from operating activities			
Net income	**$18,520**	$24,710	$18,830
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**499**	477	391
Depreciation on assets held for lease	**341**	355	481
Provision for loan losses	**1,089**	1,872	2,179
Stock patronage received	**--**	(5,834)	--
Decrease (increase) in accrued interest receivable	**1,231**	387	(704)
Decrease (increase) in other assets	**1,818**	(876)	2,880
Decrease in accrued interest payable	**(1,135)**	(1,841)	(1,098)
Increase (decrease) in other liabilities	**685**	505	(1,525)
Gain on sale of other property owned	**--**	--	7
(Loss) gain on sale of premises and equipment	**(1)**	(7)	1
(Loss) gain on disposal of assets held for lease	**(20)**	12	22
Total adjustments	**4,507**	(4,950)	2,634
Net cash provided by operating activities	**23,027**	19,760	21,464
Cash flows from investing activities			
Increase in loans, net	**(102,893)**	(167,118)	(147,875)
Redemptions of investment in AgriBank	**--**	--	6,361
Disposals (purchases) of assets held for lease	**517**	573	(139)
Decrease in other property owned	**--**	143	--
Purchases of premises and equipment, net	**(273)**	(449)	(571)
Net cash used in investing activities	**(102,649)**	(166,851)	(142,224)
Cash flows from financing activities			
Increase in note payable to AgriBank	**79,891**	147,548	121,445
Capital stock and participation certificates retired, net	**(269)**	(457)	(685)
Net cash provided by financing activities	**79,622**	147,091	120,760
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental schedule of non-cash activities			
Stock financed by loan activities	**$678**	$645	$1,570
Stock applied against loan principal	**1,081**	1,161	1,275
Stock applied against interest	**2**	12	17
Interest transferred to loans	**798**	170	70
Supplemental information			
Interest paid	**$26,412**	$32,460	$42,023
Taxes paid	**908**	867	1,823

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Farm Credit Services of Illinois, ACA
(Dollars in thousands, except as noted)

NOTE 1

ORGANIZATION AND OPERATIONS

Farm Credit Services of Illinois, ACA (the ACA) and its subsidiaries, Farm Credit Services of Illinois, FLCA (the FLCA) and Farm Credit Services of Illinois, PCA (PCA), (the Association) are lending institutions of the Farm Credit System, a nationwide system of cooperatively owned Banks and associations established by Congress to meet the credit needs of American agriculture. At December 31, 2003, the System was comprised of four Farm Credit Banks, one Agricultural Credit Bank and numerous associations. AgriBank and its related associations are collectively referred to as the District. At December 31, 2003, the District consisted of 18 ACA parent associations which each have wholly-owned FLCA and PCA subsidiaries. FLCAs are authorized to originate long-term real estate mortgage loans, PCAs are authorized to originate short-term and intermediate-term loans and ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their FLCA and PCA subsidiaries, respectively. District associations are also authorized to provide lease financing options for agricultural purposes. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related service businesses.

FCA is delegated authority by Congress to regulate the System banks and associations. The activities of the Association are examined by FCA and certain actions by the Association are subject to the prior approval of FCA and AgriBank.

The Farm Credit Act established the Insurance Corporation to administer the Insurance Fund. The Insurance Fund is used to insure the timely payment of principal and interest on Systemwide debt obligations, to insure the retirement of protected borrower capital at par or stated value, and for other specified purposes. At the discretion of the Insurance Corporation, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the Insurance Corporation. Each System bank is required to pay premiums into the Insurance Fund, based on its annual average loan principal outstanding until the assets in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as 2.0% of Systemwide debt obligations. AgriBank, in turn, assesses the associations premiums based on the average principal outstanding of accrual and nonaccrual loans of the associations for each year. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, but it still must ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

The Association is a member-owned cooperative which provides credit and credit-related services to or for the benefit of eligible shareholders for qualified agricultural purposes in the counties of Alexander, Bond, Calhoun, Cass, Champaign, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, DeWitt, Douglas, Edgar, Edwards, Effingham, Fayette, Ford, Franklin, Gallatin, Greene, Hamilton, Hardin, Iroquois, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Logan, Macon, Macoupin, Madison, Marion, Massac, Menard, Monroe, Montgomery, Morgan, Moultrie, Perry, Piatt, Pope, Pulaski, Randolph, Richland, Saline, Sangamon, Scott, Shelby, St. Clair, Union, Vermilion, Wabash, Washington, Wayne, White and Williamson in the state of Illinois.

The Association borrows from AgriBank and provides financing and related services through its FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options. Prior to the purchase of these assets on May 1, 2002, the FLCA also serviced certain long-term real estate loans owned by AgriBank in the FLCA's territory. The PCA makes short-term and intermediate-term loans and provides lease financing options for agricultural production or operating purposes.

The Association offers various risk management services, including credit life, term life, credit disability, crop hail, and multi-peril crop insurances for borrowers and those eligible to borrow. The Association also offers fee appraisals to its members.

On July 1, 2001, Farm Credit Services of Central Illinois, FLCA and Farm Credit Services of Southeastern Illinois, FLCA merged to form Farm Credit Services of Illinois, FLCA (the FLCA) and Farm Credit Services of Central Illinois, PCA and Farm Credit Services of Southeastern Illinois, PCA merged to form Farm Credit Services of Illinois, PCA (the PCA). The shareholders of the FLCA and PCA then exchanged their stock for like stock in a newly chartered entity, Farm Credit Services of Illinois, ACA (the ACA), and the FLCA and PCA became wholly owned subsidiaries of the ACA. This restructuring provides certain advantages of the ACA structure while maintaining the tax exempt status of the FLCA. The restructuring was accounted for on a historical cost basis similar to that of a pooling of interests and, accordingly, the accompanying financial statements include the accounts and results of operations as if the restructuring had been in effect for all periods prior to July 1, 2001. Prior to the restructuring, the accounting practices used by all of these entities were comparable.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of Illinois, ACA (the parent) and Farm Credit Services of Illinois, FLCA and Farm Credit Services of Illinois, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

The following are significant accounting policies of the Association:

Loans: Long-term mortgage loan amortization terms range up to 40 years. Substantially all commercial loans are made for agricultural production or operating purposes and have maturities of 10 years or less.

Loans are carried at their principal amount outstanding. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Loan fees are recorded as an offset to the related origination costs as incurred. The net amount of these fees and expenses is not material to the financial statements taken as a whole.

Loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless well secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, accrued interest is reversed to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year will be capitalized to the recorded investment of the loan. Cash received on nonaccrual loans is applied to reduce the recorded investment in the loan asset except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior chargeoffs. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior chargeoffs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected and the loan is not classified doubtful or loss.

Allowance for Loan Losses: The allowance for loan losses reflects an amount considered adequate by management to provide for estimated losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of numerous factors such as loan loss experience, portfolio quality, portfolio concentrations, and economic and environmental factors. Loan principal and prior year(s) accrued interest are charged against the allowance for loan losses when management believes collection is unlikely.

A specific allowance is established under Statement of Financial Accounting Standards (SFAS) No. 114 for risk loans. Loans are considered risk loans if they are in nonaccrual status, formally restructured, or 90 days or more past due. SFAS No. 114 requires that risk loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as practically expedient, at the loan's observable market price or fair value of the collateral if the loan is collateral dependent. The Association records a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the fair market value of collateral.

Investment in AgriBank: Accounting for the Association's investment in AgriBank is on a cost plus allocated equities basis. The investment in AgriBank is held by the Association in the form of Class P common stock and Class D cumulative preferred stock.

Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Depreciation is generally provided on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are reflected in current operating results. Maintenance and repairs are charged to operating expense and improvements are capitalized.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the lower of the carrying amount or the fair value less estimated selling costs. Income and expense from operations and carrying value adjustments are included in miscellaneous income, net.

Leases: The Association has finance and operating leases. Under finance leases, unearned finance lease income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. The Association amortizes net unearned finance income to earnings on the interest method. The carrying amount of finance leases is presented in "Loans" on the Consolidated Statement of Condition and represents lease rent receivables net of the unearned income plus the estimated residual value. Under operating leases, revenue is recognized as earned ratably over the term of the lease and depreciation and other expenses are charged against such revenue as incurred. The carrying amount of operating leases is presented in the "Other assets" line on the Consolidated Statement of Condition and represents the asset cost net of accumulated depreciation.

Employee Benefit Plans: The employees of the Association participate in the Retirement Plan of the District, which is a defined benefit plan. Effective in 2002, employees who elected and all new employees are under a cash balance formula. Other employees are on a final average pay formula. The District utilizes the "Projected Unit Credit" actuarial method for financial reporting purposes and the "Entry Age Normal Cost" method for funding purposes.

The Association also provides certain health and life insurance benefits to eligible retired employees under District plans. The anticipated costs of these benefits are accrued during the period of the employees' active service.

Income Taxes: Federal and state income taxes are accrued by the ACA and PCA. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. Refer to Note 9 for discussion of the taxability of certain income for the Association.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Statement of Cash Flows: For purposes of reporting cash flow, cash includes cash on hand.

NOTE 3

LOANS

Loans consisted of the following:

As of December 31, 2003	Amount	Percentage
Long-term agricultural mortgage	$881,131	65.6%
Production	232,022	17.3%
Intermediate term	88,173	6.5%
Processing and marketing	3,795	0.3%
Finance leases	828	0.0%
Participations purchased	133,726	10.0%
Other	3,620	0.3%
Subtotal	1,343,295	100.0%
Participations sold	(73,186)	
Total loans	$1,270,109	

As of December 31, 2002	Amount	Percentage
Long-term agricultural mortgage	$826,095	66.6%
Production	219,158	17.7%
Intermediate term	80,338	6.5%
Processing and marketing	4,449	0.4%
Finance leases	559	0.0%
Participations purchased	104,129	8.4%
Other	5,073	0.4%
Subtotal	1,239,801	100.0%
Participations sold	(73,045)	
Total loans	$1,166,756	

As of December 31, 2001	Amount	Percentage
Long-term agricultural mortgage	$731,967	67.8%
Production	210,924	19.5%
Intermediate term	82,695	7.7%
Processing and marketing	3,592	0.3%
Finance leases	760	0.1%
Participations purchased	43,755	4.1%
Other	5,893	0.5%
Subtotal	1,079,586	100.0%
Participations sold	(79,847)	
Total loans	$999,739	

The increase in participations purchased from 2002 to 2003 is due to an alliance with 1st Farm Credit Services to market and service capital market loans.

The Association purchased long-term real estate mortgage loans and related assets from AgriBank. During 2002 and 2001, assets purchased totaled $46 million and $63 million, respectively. These loans were originated and serviced by the Association for AgriBank. The purchases were financed through the line of credit with AgriBank.

An association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA Regulation or General Financing Agreement limitations. The following table presents information regarding participations purchased and/or sold:

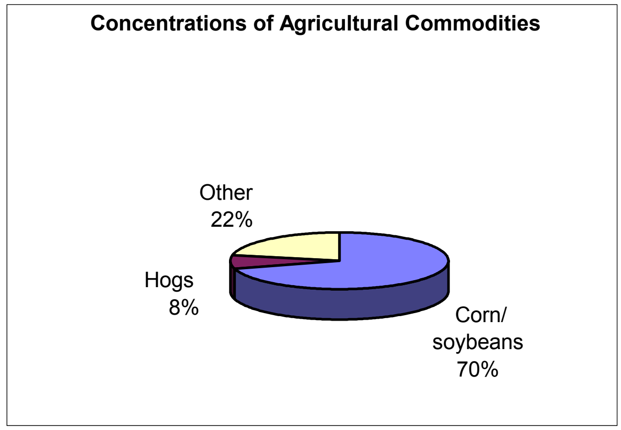
	Participations	
As of December 31, 2003	**Purchased**	**Sold**
Participations purchased from / sold to:		
AgriBank	**$ --**	**$67,883**
Other Farm Credit institutions	**133,726**	**5,303**
Total participations purchased/sold	**$133,726**	**$73,186**

The participation volume is largely due to participations with FCS and non-FCS lenders on loans to agribusinesses.

The Association participates in the Illinois State Linked Annual Operating Loan Program to provide reduced rate loan funds to eligible borrowers. Loans outstanding under this state program were $77,102, $103,603 and $115,227 at December 31, 2003, 2002 and 2001, respectively.

In addition to the geographic concentrations discussed in Management's Discussion and Analysis, the Association also has concentrations with individual borrowers and within various agricultural commodities. At December 31, 2003, total volume plus commitments to the Association's ten largest borrowers represented 45.9% of total capital.

The Association's agricultural commodity concentrations at December 31, 2003, were as follows:



The Association's commodity concentrations have not changed materially from prior years.

While these concentrations represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of its lending activities is collateralized. Accordingly, exposure to credit loss associated with lending activities is reduced. An estimate of the Association's credit risk exposure is considered in the consolidated financial statements in the allowance for loan losses.

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following tables present risk loan information:

As of December 31	**2003**	2002	2001
Nonaccrual loans:			
Current as to principal and interest	**$8,489**	$4,702	$7,821
Past due	**18,946**	507	2,278
Total nonaccrual loans	**27,435**	5,209	10,099
Accruing restructured loans	**265**	284	244
Loans past due 90 days or more still accruing	**75**	--	183
Total risk loans	**$27,775**	$5,493	$10,526
Volume with specific reserves	**$11,367**	$226	$355
Volume without specific reserves	**16,408**	5,267	10,171
Total risk loans	**$27,775**	$5,493	$10,526
Total specific reserves	**$4,130**	$191	$208

For the year ended December 31	**2003**	2002	2001
Income on accrual risk loans	**$28**	$22	$69
Income on nonaccrual loans	**1,395**	561	233
Total income on risk loans	**$1,423**	$583	$302
Average recorded investment	**$19,618**	$6,738	$10,375

Based on management's analysis, the Association's loans 90 days or more past due and still in accrual status were adequately secured and in the process of collection.

NOTE 4

ALLOWANCE FOR LOAN LOSSES

A summary of the changes in the allowance for loan losses follows:

For the year ended December 31	**2003**	2002	2001
Balance at beginning of year	**$24,223**	$22,106	$19,659
Provision for loan losses	**1,089**	1,872	2,179
Loan recoveries	**123**	83	33
Loan chargeoffs	**(58)**	(74)	(82)
Other	**--**	236	317
Balance at end of year	**$25,377**	$24,223	$22,106

NOTE 5

INVESTMENT IN AGRIBANK

Under AgriBank's capital plan, as of December 31, 2003 associations are required to maintain an investment equal to 2.05% of the average quarterly balance of their note payable to AgriBank. This is an increase over the previous requirement of 1.75% at December 31, 2002 and 1.0% of the average quarterly balance of their note payable plus assets serviced as of December 31, 2001.

The following summarizes investment balances at December 31, 2003, 2002 and 2001 and related dividend income for the years then ended:

	2003	2002	2001
As of December 31:			
Common stock	**$21,538**	$16,858	$8,739
Preferred stock	**4,850**	9,530	11,815
Total investment	**$26,388**	$26,388	$20,554
For the year ended December 31:			
Dividend income	**$ --**	$797	$1,279

The investment in AgriBank includes a 2002 special stock patronage refund from AgriBank in the amount of $5,834. This refund represented the Association's share of a one-time, $100 million distribution to provide for greater equalization of surplus between shareholders of AgriBank and AgAmerica, FCB.

Subsequent to the July 1, 2001 restructuring into the parent-subsidiaries structure discussed in Note 1, the Association's required investment in AgriBank is calculated on a consolidated basis. Due to this change in the method of calculation, the Association held purchased AgriBank stock in excess of the required investment. At July 1, 2001, AgriBank redeemed its stock previously purchased by the FLCA in the amount of $6,511. The redemption was at par which equaled the FLCA's cost basis in the stock.

NOTE 6

PREMISES AND EQUIPMENT

Premises and equipment consisted of the following:

As of December 31	**2003**	2002	2001
Land, buildings and improvements	**$5,098**	$5,051	$5,185
Furniture and equipment	**2,445**	2,738	3,437
Subtotal	**7,543**	7,789	8,622
Less: accumulated depreciation	**(4,634)**	(4,655)	(5,467)
Total	**$2,909**	$3,134	$3,155

NOTE 7

NOTE PAYABLE TO AGRIBANK

The Association's note payable to AgriBank represents borrowings, in the form of a line of credit, to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement. At December 31, 2003, the line of credit from AgriBank totaled $1.325 billion. Under this line of credit, principal outstanding at December 31, 2003, totaled $1.064 billion. The interest rate, 2.4% at December 31, 2003, is adjusted monthly. The stated maturity date is June 30, 2004 for the Association's note payable at which time the note will be renegotiated.

The General Financing Agreement provides for limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. The note payable to AgriBank cannot exceed such limitations without approval from AgriBank. At December 31, 2003, the Association was within the specified limitations and in compliance with all debt covenants.

NOTE 8

MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower, as a condition of obtaining a loan from the Association, is required to invest in the Association. As authorized by the Agricultural Credit Act of 1987 and shareholder-approved capitalization bylaws, the Board of Directors has adopted a capital plan which establishes a stock purchase requirement for obtaining a loan of 2% of the customer's total loans or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all borrowers to whom a lease is issued and of all non-stockholder customers who purchase financial services. Prior to July 1, 2001 the bylaws required a minimum stock purchase of 2% of the loan amount or one thousand dollars, whichever is less, for new loans originated. The stock purchase requirement was applied to each loan. In addition, the Association continues to carry loans which had a 3% stock requirement at the time they were originated or when stock was converted from protected to at-risk stock. The Association's Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws, if necessary, to meet the Association's capital needs. The borrower acquires ownership of the capital stock at the time the loan/lease is made, but usually does not make a cash investment for the capital stock. The aggregate par value of the stock is added to the principal amount of the related obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers.

Protection Mechanisms

Protection of certain borrower equity is provided under the Farm Credit Act which requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates which were outstanding as of January 6, 1988, or were issued prior to October 6, 1988, as a requirement for obtaining a loan. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

Regulatory Capitalization Requirements

Under capital adequacy regulations, each association is required to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7% and a core surplus ratio of at least 3.5%. These ratios are calculated in accordance with FCA Regulations and are discussed below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2003, the Association's ratio was 15.3%.

- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At December 31, 2003, the Association's ratio was 14.5%.

- The core surplus ratio is average unallocated surplus less the Association's investment in AgriBank divided by average risk-adjusted assets. At December 31, 2003, the Association's ratio was 14.1%.

FCA Regulations require the Association and AgriBank to agree upon a plan for allocating the Association's investment in AgriBank for calculation of regulatory capital ratios. The Association and AgriBank agreed that the Association would count in its ratios any excess investment over that required by AgriBank. At December 31, 2003, 2002 and 2001, the Association counted 18.4%, 36.1% and 59.7%, respectively, of its investment in AgriBank as capital. The decline in the amount counted by the Association correlates to the increases in the required amount of investment in AgriBank discussed in Note 5. These changes did not have a material impact on the Association's regulatory capital ratios.

Description of Equities

The following table presents information regarding the Association's classes and number of shares of stock and participation certificates outstanding as of December 31, 2003. All shares and participation certificates were $5.00 par value.

As of December 31, 2003	Shares Outstanding
Class A common stock (protected)	**76,548**
Class C common stock (at-risk)	**2,028,948**
Class E participation certificates (at-risk)	**22,703**
Class F participation certificates (protected)	**284**

Under its bylaws, the Association is also authorized to issue Class B and Class D common stock and Series 1 participation certificates. The Class B common stock is at-risk and nonvoting with a $5.00 par value per share, the Class D common stock is at-risk and nonvoting with a $1,000.00 par value per share, while the Series 1 participation certificate is protected and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class C stock have voting rights. The Association's bylaws do not prohibit dividends on any classes of stock; however, no dividends have been declared during the last three years.

The bylaws of the Association generally permit stock and participation certificates to be retired at the discretion of the Board of Directors in accordance with the Association's capitalization plans provided prescribed capital standards have been met. At December 31, 2003, the Association exceeded these prescribed standards. Management does not anticipate any significant changes in capital that would impact the normal retirement of stock.

In accordance with the Association's bylaws, in the event of liquidation or dissolution of the Association, any assets remaining after payment or retirement of all liabilities shall be distributed to holders of stock in the following order of priority: first, to holders of all classes of preferred stock, second, to holders of all classes of common stock and participation certificates, third, to holders of allocated surplus evidenced by qualified written notices of allocation, fourth, to holders of allocated surplus evidenced by non-qualified written notices of allocation and finally, to present and former patrons.

All classes of stock, except Class B common stock are transferable to other customers who are eligible to hold such class of stock provided that the Association meets the regulatory minimum capital requirements.

Patronage Distributions

The Association is prohibited by FCA from distributing patronage refunds to the extent that such distributions would reduce its permanent capital ratio below minimum permanent capital adequacy standards. Management does not foresee any events that would result in this prohibition in 2004. However, the Association does not have a patronage program to make such distributions.

NOTE 9

INCOME TAXES

The Association's provision for income taxes follows:

For the year ended December 31	**2003**	2002	2001
Current:			
Federal	**$784**	$715	$1,019
State	**175**	163	230
Total current	**959**	878	1,249
Deferred:			
Federal	**(272)**	349	(125)
State	**(60)**	80	(26)
Total deferred	**(332)**	429	(151)
Total provision for income taxes	**$627**	$1,307	$1,098
Effective tax rate	**3.3%**	5.0%	5.5%

The following table quantifies the differences between the provision for income taxes and income taxes at the statutory rates:

For the year ended December 31	**2003**	2002	2001
Federal tax at statutory rate	**$6,510**	$8,846	$6,776
State tax, net	**75**	159	134
Effect of non-taxable entity	**(5,974)**	(7,704)	(5,812)
Other	**16**	6	--
Provision for income taxes	**$627**	$1,307	$1,098

Deferred tax assets and liabilities are composed of the following:

As of December 31	2003	2002	2001
Allowance for loan losses	**$2,994**	$2,979	$2,947
SFAS 106 accrual	**341**	310	279
Leasing income	**115**	132	146
Accrued patronage income not received	**(82)**	(341)	(347)
AgriBank 2002 allocated stock	**(527)**	(527)	--
Accrued pension asset	**(289)**	(294)	(252)
Depreciation	**(278)**	(336)	(395)
Other	**(322)**	(303)	(329)
Net deferred tax assets	**$1,952**	$1,620	$2,049
Gross deferred tax assets	**$3,455**	$3,425	$3,376
Gross deferred tax liabilities	**($1,503)**	($1,805)	($1,327)

No valuation reserves had been established for these net deferred tax assets at December 31, 2003, 2002 or 2001.

Deferred income taxes have not been provided by the Association on approximately $20,554 of patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Management's intent is to permanently maintain this investment in AgriBank. Additionally, deferred income taxes have not been provided on accumulated FLCA earnings of $166,329 as it is management's intention to permanently maintain this investment in the FLCA or distribute the earnings to members in a manner that results in no additional tax liability to the Association.

The PCA subsidiary asserted its earnings were exempt from state income tax. On February 20, 2001, the United States Supreme Court ruled, in a case involving another Farm Credit System entity, that Congress did not intend amendments to the Farm Credit Act in 1985 to change the basic tax status of that entity. The entity had been subject to state taxation prior to that amendment and the Court ruled that Congress intended that status to continue. While the PCA subsidiary was not a party in that case, it shares a similar tax history to the entity involved. Based on and subsequent to the United States Supreme Court decision, the PCA subsidiary began accruing and paying state income taxes in 2001.

NOTE 10

EMPLOYEE BENEFIT PLANS

The Association participates in a District-wide defined benefit retirement plan. The plan is noncontributory and includes eligible District employees. The assets, liabilities and costs of the plan are not segregated by participating entities but are allocated among the entities on the basis of proportionate payroll expense. The Association recorded $34 of pension expense for the year ended December 31, 2003. The Association recorded $243 and $396 of pension income for 2002 and 2001, respectively. The change to a pension expense for 2003 is reflective of recent losses on plan assets and enhancements to the plan.

The Association also participates in a District-wide retirement savings plan. Effective January 1, 2002, the Association matches dollar for dollar up to 2% of employees contribution and 50 cents on the dollar on the next 4% on both pre-tax and post-tax contributions. The maximum employer match is 4%. Prior to the change on January 1, 2002 the maximum employer match was 3%. Contributions and recorded expenses in 2003, 2002 and 2001 were $283, $276 and $194.

The Association recorded expense of $158, $166 and $142 in 2003, 2002 and 2001, respectively, representing the cost of postretirement benefits other than pensions.

The measurement date is September 30 for the District defined benefit and other postretirement benefit plans. While information on the District plans is not available for the Association individually, the following represents the information of the postretirement benefit plans at a District level.

Obligations and Funded Status

The obligations and funded status of the District's postretirement benefit plans follows:

As of December 31, 2003	Pension Benefits	Other Benefits
Fair value of plan assets	$358,735	$7,668
Benefit obligation	411,361	44,451
Funded status	($52,626)	($36,783)
Prepaid (accrued) benefit cost recognized in the District's Statement of Condition	$74,665	($43,205)
Weighted-average assumptions used to determine benefit obligations		
Discount rate	6.50%	6.50%
Expected return on plan assets	8.75%	6.00%
Rate of compensation increase	5.00%	n/a

The accumulated benefit obligation for the pension plan was $321,841 for the year ended December 31, 2003.

Benefits paid, Contributions and Net Periodic Benefit Cost

Additional information on the District's plans follows:

For the year ended December 31, 2003	Pension Benefits	Other Benefits
Benefits Paid	$14,562	$2,450
Employer Contributions	--	1,874
Plan Participant Contributions	--	--
Net Periodic Benefit Cost	813	2,303
Weighted-average assumptions used to determine net costs		
Discount rate	6.75%	6.75%
Expected return on plan assets	8.75%	6.00%
Rate of compensation increase	5.00%	n/a

Assumed Health Care Cost Trend Rates

For measurement purposes, a 9% rate of increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease gradually to 6% by the year 2007 and remain at that level thereafter.

NOTE 11

FINANCIAL ASSISTANCE

The Financial Assistance Corporation was established in 1988 primarily to provide capital to institutions of the System experiencing financial difficulty. Such assistance was funded through the Financial Assistance Corporation's issuance of $1.261 billion of 15-year U.S. Treasury-guaranteed debt. The interest rates on these issuances ranged from 8.80% to 9.45%. The repayment of this debt and related interest is the responsibility of System Banks. A portion of this debt has subsequently been repaid by the Banks. At December 31, 2003 only $325 million of Financial Assistance Corporation debt remains outstanding. All other debt has either matured or was called and redeemed. Although these obligations of AgriBank are not obligations of the Association, the Association has a significant investment in AgriBank. Accordingly, the financial condition of the Association can be affected by factors which affect AgriBank. Management believes these matters are not likely to have a material effect upon the financial condition of the Association.

NOTE 12

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association may enter into loan transactions with its officers, directors, their immediate family members and other organizations with which such persons may be associated. Such transactions are subject to special approval requirements contained in FCA Regulations and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with other persons.

Total loans to such persons at December 31, 2003, amounted to $6,562 with $2,901 of new loans made and repayments of $2,706 during the year. In the opinion of management, no such loans outstanding at December 31, 2003, involved more than a normal risk of collectibility.

NOTE 13

CONTINGENCIES AND COMMITMENTS

In the normal course of business, the Association has outstanding various contingent liabilities and commitments which may not be reflected in the accompanying consolidated financial statements. No material losses are anticipated as a result of these contingencies or commitments.

The Association may, from time to time, be named as defendants in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, management was not aware of any such actions that would have a material impact upon the Association's financial condition. However, management cannot ensure that such actions will not arise in the future.

The Association participates in financial instruments to satisfy the financing needs of its borrowers in the form of commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. At December 31, 2003, the Association had commitments to extend credit of $208,691. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. At December 31, 2003, the Association had standby letters of credit of $10,696, of which $25 is included in other liabilities at December 31, 2003 representing the estimated fair value of liabilities for standby letters of credit issued since January 1, 2003. Standby letters of credit are agreements to pay a beneficiary upon event of default on a contractual arrangement.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and the Association may require payment of a fee. Commitments to extend credit and letters of credit may have credit risk in excess of the amount recognized in the financial statements until they are fulfilled or expire. Since many of the commitments to extend credit and letters of credit are expected to expire without being fully drawn upon, the total commitments to extend credit and letters of credit do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable the Association, as a guarantor, to recover from third parties amounts paid under guarantees, thereby limiting its maximum potential exposures. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and the same credit policies are applied by management.

NOTE 14

DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted market prices are generally not available for the Association's financial instruments. Accordingly, fair values are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of the Association's investment in AgriBank is not practicable because the stock is not traded. As discussed in Note 2 and Note 5, the investment is a requirement of borrowing from AgriBank and is carried at cost plus allocated equities.

A description of the methods and assumptions used to estimate the fair value of each class of the Association's financial instruments, for which it is practicable to estimate that value, follows:

Loans: Because no active market exists for the loans, fair value is estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made or repriced to borrowers with similar credit risk. As the discount rates are based upon internal pricing mechanisms and other management estimates, management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of System borrowers, could render the Association's portfolio unmarketable outside the Farm Credit System.

For purposes of determining fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher discount rates that reflect the uncertainty of continued cash flows. For noncurrent nonaccrual loans, it is assumed that collection will result only from the disposition of the underlying collateral. Fair value is estimated to equal the aggregate net realizable value of the underlying collateral, discounted at an interest rate that appropriately reflects the uncertainty of the expected future cash flows over the average disposal period. Where the net realizable value of the collateral exceeds the legal obligation for a particular loan, the legal obligation is generally used in place of the net realizable value.

Note Payable to AgriBank: The fair value of the note payable to AgriBank was estimated by segregating the note into pricing pools according to the types and terms of the underlying loans which they fund. The estimated cash flows from these loans were discounted using the current rate that would be charged by AgriBank for additional borrowings with similar attributes.

Commitments to extend credit and letters of credit: The fair value of commitments and letters of credit is estimated as the inherent credit loss in such instruments.

The estimated fair value of the Association's financial instruments were as follows:

As of December 31, 2003	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	**$1,244,732**	**$1,259,441**
Financial liabilities:		
Note payable to AgriBank	**$1,063,948**	**$1,062,477**
Standby Letters of credit	**$25**	**$25**
Unrecognized financial instruments:		
Commitments to extend credit and Letters of Credit		**$262**

As of December 31, 2002	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	$1,142,533	$1,174,365
Financial liabilities:		
Note payable to AgriBank	$984,057	$995,366
Unrecognized financial instruments:		
Commitments to extend credit		($226)

As of December 31, 2001	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	$977,633	$1,014,030
Financial liabilities:		
Note payable to AgriBank	$836,509	$844,203
Unrecognized financial instruments:		
Commitments to extend credit		($186)

NOTE 15

QUARTERLY FINANCIAL INFORMATION
(Unaudited)

Quarterly consolidated results of operations for the years ended December 31, 2003, 2002 and 2001 follow:

2003	First	Second	Third	Fourth	Total
Net interest income	**$8,170**	**$8,057**	**$8,185**	**$8,104**	**$32,516**
Provision for loan losses	**97**	**977**	**15**	**--**	**1,089**
Patronage income	**725**	**736**	**695**	**590**	**2,746**
Other expense, net	**3,223**	**3,639**	**3,666**	**4,498**	**15,026**
Provision for income taxes	**198**	**79**	**195**	**155**	**627**
Net income	**$5,377**	**$4,098**	**$5,004**	**$4,041**	**$18,520**

2002	First	Second	Third	Fourth	Total
Net interest income	$7,266	$7,469	$7,709	$7,894	$30,338
Provision for loan losses	29	766	408	669	1,872
Compensation income	335	92	--	--	427
Patronage and dividend income	218	200	198	8,939	9,555
Other expense, net	2,698	3,181	2,850	3,702	12,431
Provision for income taxes	245	66	155	841	1,307
Net income	$4,847	$3,748	$4,494	$11,621	$24,710

2001	First	Second	Third	Fourth	Total
Net interest income	$6,400	$6,874	$6,848	$7,009	$27,131
Provision for loan losses	166	1,547	268	198	2,179
Compensation income	679	330	347	361	1,717
Patronage and dividend income	415	372	260	2,964	4,011
Other expense, net	2,753	2,137	2,777	3,085	10,752
Provision for income taxes	280	290	169	359	1,098
Net income	$4,295	$3,602	$4,241	$6,692	$18,830

DISCLOSURE INFORMATION

Farm Credit Services of Illinois, ACA
(In whole dollars, except as noted)

DESCRIPTION OF BUSINESS

General information regarding the business is incorporated herein by reference from Note 1 to the consolidated financial statements included in this annual report.

The description of significant business developments, if any, is incorporated herein by reference from "Management's Discussion and Analysis" included in this annual report.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding the properties of the Association:

Location	Description	Usage	Lease expiration date	Monthly lease fee
Mt. Vernon	Leased	Processing Ctr.	7/31/2006	$1,611
Albion	Owned	Branch		
Belleville	Owned	Branch		
Benton	Leased	Branch	2/28/2006	620
Charleston	Leased	Branch	3/31/2004	1,766
Effingham	Owned	Branch		
Harrisburg	Owned	Branch		
Highland	Leased	Branch	12/31/2007	1,550
Lawrenceville	Owned	Branch		
Nashville	Leased	Branch	6/30/2005	733
Paris	Owned	Branch		
Red Bud	Leased	Branch	1/31/2005	950
Shelbyville	Leased	Branch	12/31/2006	1,500
Vandalia	Owned	Branch		
Champaign	Owned	Headqtrs/Branch		
Carlinville	Owned	Branch		
Decatur	Leased	Branch	6/30/2011	2,750
Hillsboro	Leased	Branch	2/28/2004	575
Jacksonville	Owned	Branch		
Jerseyville	Leased	Branch	5/31/2011	2,066
Lincoln	Owned	Branch		
Springfield	Owned	Branch		
Taylorville	Owned	Branch		
Watseka	Owned	Branch		

LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated herein by reference from Note 9 and Note 13 to the consolidated financial statements included in this annual report. The Association was not subject to any enforcement actions at December 31, 2003.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding capital structure is incorporated herein by reference from Note 8 to the consolidated financial statements included in this annual report.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is incorporated herein by reference from Note 7 and Note 13 to the consolidated financial statements included in this annual report.

SELECTED FINANCIAL DATA

"Consolidated Five-Year Summary of Selected Financial Data," included in this annual report, is incorporated herein by reference.

MANAGEMENT'S DISCUSSION AND ANALYSIS

"Management's Discussion and Analysis," included in this annual report, is incorporated herein by reference.

BOARD OF DIRECTORS

The following represents information regarding directors who served as of December 31, 2003, including business experience in the last five years:

Lance Beery, Chairperson of the Board, is a self-employed grain and livestock farmer. His term on the board expires in 2005.

Ben D. Conrady, Vice Chairperson of the Board, is a self-employed grain and livestock farmer. He also serves as a Broadwell Township auditor. His term on the board expires in 2005.

Don Barttelbort, is a self-employed grain farmer and livestock farmer. His term on the board expires in 2005.

Kent Brinkmann, is a self-employed grain farmer. His term on the board expires in 2004.

Wm. David Champion, Jr., Appointed Director, is the president and CEO of the Eastern Illinois Electric Cooperative in Paxton, IL. He serves as a director of the Soyland Power Cooperative, Inc. and as an alternate director of Continental Cooperative Services, both of which are electricity wholesalers. He also serves on the board of directors of Cooperative Balloon Associates, which is involved in the promotion of electric cooperatives. His term on the board expires in 2004.

Jack E. Crumrin, is a self-employed grain and livestock farmer. His term on the board expires in 2004.

Donald D. Dice, is a self-employed grain farmer. He serves as Associate Director of Vermilion County Soil and Water Conservation District in Danville, IL, which is engaged in soil and water conservation. His term on the board expires in 2005.

J. Dale Edwards, is a self-employed grain and livestock farmer and substitute teacher. He also serves as a director for the Sangamon County Fair. In addition to that he is the clerk for the Lanesville township. His term on the board expires in 2006.

Dennis Frey, is a self-employed grain farmer. His term on the board expires in 2005.

Dr. Kim Harris, Outside Director, is an Associate Professor in AgriBusiness Economics at Southern Illinois University in Carbondale, IL. He also serves as a director of Lahoil, Inc. in Mattoon, IL, which is engaged in oil production. His term on the board expires in 2005.

Jack Hastings, is a self employed grain farmer. He also serves as a director for the Lincoln Farm Business Farm Management. His term expires in 2006.

Mark Miller, is a self-employed grain farmer and park commissioner with the Chestnut-Beason Park District Board. His term on the board expires in 2006.

Robert Pharis, is a self-employed grain and livestock farmer and township road commissioner. His term on the board expires in 2004.

Russell Roosevelt, is a self-employed grain and livestock farmer. His term on the board expires in 2004.

John Schable, is a self-employed grain farmer. His term on the board expires in 2006.

Donald Sievers, is a self-employed grain and livestock farmer and seed dealer. His term on the board expires in 2006.

Larry L. Thomas, is a self-employed grain and livestock farmer. He serves as vice president of the Mechanicsburg Farmers Grain Co. in Mechanicsburg, IL, and is a dealer for Golden Harvest Seeds in Stonington, IL. He is also president of the Fire Protection District in Edinburg, IL. His term on the board expires in 2004.

Pursuant to the Association's bylaws, the Association's directors may be paid a reasonable amount for attendance at board meetings, committee meetings or other special assignments. Directors may also be reimbursed for reasonable expenses incurred in connection with such meetings or assignments. By resolution, the Board of Directors has adopted a rate of $350 per day. Board members also received a $1,000 per quarter retainer fee, except for the chairman and vice chairman, whose retainer fee was $1,500 per quarter.

Information regarding each director is presented below:

	Number of Days Served		
	Board Meetings	Other Official Activities	Total Compensation Paid in 2003
Beery, Lance	13	9	13,700
Conrady, Ben D.	13	10	14,050
Barttelbort, Don	12	1	$8,550
Brinkmann, Kent D.	13	4	9,950
Burtle, Paul W. **(1)**	13	8	10,350
Champion, Wm. David Jr.	12	0	8,200
Crumrin, Jack E.	13	4	9,950
Dice, Donald D.	13	4	9,950
Edwards, J. Dale	12	4	9,600
Frey, Dennis	13	4	9,950
Harris, Dr. Kim	13	4	9,950
Hastings, Jack	13	4	9,950
Miller, Mark	13	4	9,950
Pharis, Robert	12	4	9,600
Roosevelt, Russell	13	4	9,950
Schable, John	13	17	14,500
Sievers, Donald	12	1	8,550
Thomas, Larry L.	13	4	9,950
Vonder Haar, Ed **(1)**	12	4	8,600
Total	241	94	$195,250

(1) Term expired in 2003.

SENIOR OFFICERS

The senior officers of the Association include:

Ronald W. Frenn, Chief Executive Officer
David M. Owens, Chief Financial Officer, Executive Vice President
Donald J. Olson, Chief Credit Officer
Loren J. Leskis, Sr. Vice President, Field Operations
Aaron Johnson, Sr. Vice President, Strategic Initiatives

Business experience for the past five years of each of the senior officers has been with the Seventh Farm Credit District. A summary of compensation paid to the most highly compensated officers including the five senior officers previously noted follows (in thousands):

Name of individual	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
Ronald W. Frenn	2003	$266	$110	$8	$ --	$384
	2002	251	105	5	--	361
	2001	244	102	4	--	350
Aggregate number of Senior Officers (Includes CEO):						
Five	2003	$744	$269	$9	$ --	$1,022
Five	2002	696	235	7	--	938
Five	2001	694	235	5	--	934

Disclosure of the compensation paid during 2003 to each of the individuals included in the table above whose compensation exceeds $50,000 is available to shareholders upon request.

Senior officers incentives are paid annually based on performance criteria established by the Board of Directors. The criteria includes return on assets, loan volume, credit quality, personal objectives and performance ratings. The incentives are calculated after the end of the plan year (the plan year is the calendar year) and are paid out in a lump sum within 90 days of year-end.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is incorporated herein by reference from Note 12 to the consolidated financial statements.

TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with the Association's business functions. A copy of the Association's policy for reimbursing these costs is available by contacting the Association at the address listed on the Table of Contents and Glossary.

The total directors' travel, subsistence and other related expenses were $40 thousand, $57 thousand and $70 thousand for the years ended December 31, 2003, 2002 and 2001, respectively.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

There were no events during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2004 or at any time during 2003.

SHAREHOLDER PRIVACY

Shareholders' nonpublic personal financial information is protected by FCA Regulation. The Association's directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its shareholders.

RELATIONSHIP WITH INDEPENDENT PUBLIC AUDITORS

There were no changes in independent public auditors since the last annual report to shareholders and the Association is in agreement with the opinion expressed by the independent public auditors.

FINANCIAL STATEMENTS

The "Report of Management," "Report of Independent Auditors," "Consolidated Financial Statements," and "Notes to Consolidated Financial Statements," included in this report, are incorporated herein by reference.

EQUAL EMPLOYMENT OPPORTUNITY

The Association is an equal opportunity employer. It is the Association's policy to provide equal employment opportunity to all persons regardless of race, national origin, religion, age, sex, disability, marital status, veteran status, public assistance status, or any other condition or status covered by law. The Association complies with all state and local equal employment opportunity regulations. All personnel decisions and processes relating to the Association's employees and job applicants are conducted in an environment free of discrimination and harassment. The Association will act affirmatively to recruit, train, and promote qualified minority employees.

Farm Credit Services of Illinois, ACA

Funds Held Program

The Associations offer a Funds Held Program (Funds Held) that provides for customers to make advance payments on designated real estate and intermediate term loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Associations and customer provide for other limitations.

Payment Application

Loan payments received by the Associations before the loan has been billed will normally be placed into Funds Held and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the customer has specified the funds to be applied as a special prepayment of principal.

When a loan installment becomes due, monies in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may not exceed the unpaid principal balance of the loan.

The following limits also apply:

- Multi Flex Option Loans - Up to 100% of the loan's outstanding balance or the next payment amount, whichever is greater.
- Flex Option Loans - No more than 10% of the loan's original balance.
- Exceptional Rate Option Loans - No more than 10% of the loan's original balance.

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Associations from time to time. The interest rate may never exceed the interest rate charged on the related loan. The current interest rate is based upon the following criteria:

- Real estate loans and intermediate term loans are paid a rate of interest equal to the loan rate.

Interest rates are currently reported on each customer's year end loan statement.

Withdrawals

Funds in Funds Held may be available to be returned to Borrowers upon request. Members may request up to twelve withdrawals in any twelve-month period. The minimum withdrawal amount will be $500.00 or the balance in the Funds Held account, whichever is less.

Association Options

In the event of default on any loan or if the Associations discontinue their Funds Held program, the Associations may apply funds in the account to the unpaid loan balance and other amounts due, and shall return any excess funds to the customer.

Uninsured Account

Funds Held is not a depository account and is not insured. In the event of liquidation of the Associations, customers having balances in Funds Held shall be notified according to regulations.

Questions: Please direct any questions regarding Funds Held to your local FCS representative.

PRESORTED
STANDARD
U.S. POSTAGE PAID
PERMIT NO. 2805
MINNEAPOLIS, MN

Farm Credit Services of Illinois, ACA

2101 W. Park Court • P. O. Box 3849 • Champaign, IL 61826 • 217-352-1378

Visit us at http://www.farmcredit.com