Farm Credit Services

OF ILLINOIS

WE UNDERSTAND

PEOPLE PRODUCTS SERVICE

2006 Annual Report

2006 ANNUAL REPORT

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Farm Credit Services of Illinois, ACA

AgriBank, FCB's financial condition and results of operations materially affect shareholders' investment in Farm Credit Services of Illinois, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports contact us at 2101 West Park Court, Post Office Box 3849, Champaign, Illinois 61826, (217) 352-1378 or contact AgriBank, FCB at 375 Jackson Street, St. Paul, MN 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The reports are also available through AgriBank, FCB's website at www.agribank.com.

To request a free copy of our annual or quarterly reports contact us 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 stockholders:

Thank you for making 2006 a memorable and record–setting year for Farm Credit Services of Illinois, ACA (Association). The 12 months of 2006 were punctuated by enormous changes. So many factors combined to make 2006 a year of surprises, records and milestones.

Surprises
Sporadic rainfall during the growing season led to varying projections about the size and quality of the state's crops. The view from the windshield showed lush cornfields and taller-than-average soybeans. At harvest, hoppers filled quickly and many of you were surprised with better–than–expected yields. We now know that you produced record corn and soybean crops in 2006. The record production will help meet the increasing demand for ethanol and biodiesel — two alternative fuels that have the attention of lawmakers, environmentalists and automakers. The U.S. Department of Agriculture expects ethanol production will need one billion bushels more of corn in 2007 than used in 2006. Prices, also a pleasant surprise, have risen to levels not seen since 1996. The continued attention to renewable fuels and the need for livestock feed are expected to fuel prices throughout 2007.

Records
Your Farm Credit cooperative, Farm Credit Services of Illinois, ACA, experienced record-setting performance in 2006. The Association posted $330.0 million in new real estate loans in 2006, significantly higher than the record $267.8 million recorded in 2004. Overall mortgage loans in 2006 totaled $1.2 billion, 13.07% higher than in 2005. Commercial loans ended the year at $370.6 million, 16.06% higher than in 2005. Credit quality remained strong at 99.55% and your Association reported $23.6 million in net earnings. Your success is the reason for our success and we thank you for this record performance.

Milestones
The Farm Credit System celebrated its 90th year in 2006. In an environment where companies struggle to stay in business we are proud to be able to mark this important milestone. We have an exceptionally strong heritage which allows us to evolve and change to meet the needs of those we serve. An exciting new opportunity, the Agricultural and Rural Community (ARC) bond program, provides financing for a myriad of rural development projects. Independent or assisted-living facilities, multi-family housing and industrial development parks are a few of the many projects we are pursuing in an effort to help create a strong and vibrant rural economy.

We are also working with other Farm Credit Associations to seek legislative changes that will help us to better serve farmers and rural America. These changes, which are the result of the HORIZONS project introduced last year, focus on financing farm- and farm-related businesses and rural home mortgage financing. We look forward to your support as we work to effect these changes.

Our Commitment to You
Prominent businessman and philanthropist W. Clement Stone said, "When you discover your mission you feel its demands; it will fill you with enthusiasm and a burning desire to get to work on it." Our mission is simple: to serve you better every year and to exceed your expectations as the most trusted name in agriculture lending. We are excited about serving you and your families for generations to come.

Thank you for your commitment to Farm Credit Services of Illinois, ACA and to making your Association the best it can be. Best wishes for a productive and successful 2007.

Sincerely,

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 28, 2007

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

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

	2006	2005	2004	2003	2002
Statement of Condition Data					
Loans	**$1,612,209**	$1,417,432	$1,350,417	$1,270,109	$1,166,756
Allowance for loan losses	**1,725**	2,044	3,333	25,377	24,223
Net loans	**1,610,484**	1,415,388	1,347,084	1,244,732	1,142,533
Investment in AgriBank, FCB	**32,342**	26,885	26,388	26,388	26,388
Other property owned	**7**	7	7	7	7
Other assets	**44,947**	36,888	27,092	28,479	33,391
Total assets	**$1,687,780**	$1,479,168	$1,400,571	$1,299,606	$1,202,319
Obligations with maturities of one year or less	**$1,381,037**	$1,196,233	$1,137,162	$1,075,608	$996,167
Obligations with maturities greater than one year	**--**	--	--	--	--
Total liabilities	**1,381,037**	1,196,233	1,137,162	1,075,608	996,167
Protected members' equity	**64**	67	346	384	436
Capital stock and participation certificates	**6,401**	6,237	9,875	10,258	10,880
Allocated surplus	**--**	--	--	--	--
Unallocated surplus	**300,278**	276,631	253,188	213,356	194,836
Total members' equity	**306,743**	282,935	263,409	223,998	206,152
Total liabilities and members' equity	**$1,687,780**	$1,479,168	$1,400,571	$1,299,606	$1,202,319
Statement of Income Data					
Net interest income	**$37,493**	$35,483	$33,776	$32,516	$30,338
(Reversal of) provision for loan losses	**(140)**	(1,275)	(20,693)	1,089	1,872
Compensation income	**--**	--	--	--	427
Patronage and dividend income	**3,837**	3,580	3,116	2,746	9,555
Other expense, net	**16,689**	16,018	14,810	15,026	12,431
Provision for income taxes	**1,134**	877	2,943	627	1,307
Extraordinary item	**--**	--	--	--	--
Net income	**$23,647**	$23,443	$39,832	$18,520	$24,710
Key Financial Ratios					
Return on average assets	**1.6%**	1.7%	3.1%	1.5%	2.2%
Return on average members' equity	**8.0%**	8.6%	17.0%	8.6%	12.9%
Net interest income as a percentage of average earning assets	**2.6%**	2.7%	2.7%	2.7%	2.8%
Members' equity as a percentage of assets	**18.2%**	19.1%	18.8%	17.2%	17.1%
Net chargeoffs as a percentage of average loans	**--**	--	0.1%	--	--
Allowance for loan losses as a percentage of loans	**0.1%**	0.1%	0.2%	2.0%	2.1%
Permanent capital ratio	**15.4%**	16.0%	15.8%	15.3%	15.6%
Total surplus ratio	**15.0%**	15.6%	15.1%	14.5%	14.7%
Core surplus ratio	**15.0%**	15.6%	14.9%	14.1%	13.8%

No income was distributed to members in the form of cash, dividends, stock or allocated surplus during these time periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Farm Credit Services of Illinois, ACA

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of Illinois, ACA and its subsidiaries and provides additional specific information. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations.

Forward-Looking Information

Certain sections of this Annual Report contain forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates", "believes", "could", "estimates", "may", "should", "will", or other variations on these terms are intended to identify such forward-looking statements. These statements are based on assumptions and analyses made in light of experience, historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties; many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad,
- fluctuations in the agricultural and general economies,
- weather-related conditions and plant and animal disease that periodically occur that impact agricultural productivity, consumer demand, and agricultural income,
- changes in United States government support of the agricultural industry, and
- bio-terrorism and other terrorism.

Loan Portfolio

Loan volume totaled $1.6 billion at December 31, 2006. The changes in loan volume for the last two years were as follows (in thousands):

Change in loan volume	**2006 vs. 2005**		2005 vs. 2004	
Accrual				
Mortgage	**$145,693**	**13.3%**	$54,293	5.2%
Commercial	**51,271**	**16.1%**	19,637	6.6%
Nonaccrual	**(2,187)**	**(50.2%)**	(6,915)	(61.4%)
Total loans	**$194,777**	**13.7%**	$67,015	5.0%

Effective marketing efforts, an increase in participations, and an increase in the size of individual loan transactions in 2006 compared to previous years resulted in loan volume growth in 2006.

Portfolio Distribution

We are chartered to operate in certain counties in Illinois. Approximately 11.1% of our total loan portfolio was in Champaign and Iroquois counties at December 31, 2006. No other counties had more than 5% concentration.

Our portfolio is heavily concentrated in corn and soybeans, representing approximately 68.2% of the total portfolio.

Agricultural Conditions

The six year Farm Security and Rural Investment Act of 2002 just completed its fifth year. The Act includes significant federal financial support for wheat, feed grains, cotton, rice, and oilseeds, and 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, which helps support credit quality and decreased the volatility of overall farm income over the term of the program. Management believes that the United States budget deficit, world trade negotiations, pressures and demands from other groups including commodity groups whose products are not covered, and litigation under existing trade agreements may result in reduced government support of agriculture as a result of the 2007 farm bill, which is yet to be drafted. Management also believes the 2007 farm bill will include programs on renewable fuels.

USDA forecasts 2006 net farm income to be down from 2005 levels, and slightly above the 10-year average. The 2005 and 2004 years were the two highest net farm income years on record. For 2004 and 2005 strong agricultural economic conditions were the result of generally favorable prices and the continued positive impact of government programs.

The projected decline in 2006 net farm income results from anticipated reduced value of production, reduced government payments, and increased input prices. Farm income is being negatively impacted by increased fuel, fertilizer and interest costs. As energy prices have risen, ethanol and bio-diesel production from corn and soybeans has become very profitable. In addition, attitudes toward renewable energy have changed as the Mideast has become even more unstable. Rapid expansion, particularly of ethanol, is strengthening the linkage between the energy sector and agriculture and is raising the prospect that energy use of corn and soybeans may compete aggressively with livestock for available supplies. This rapid expansion in use for energy may have significant impacts on the livestock industries particularly in years where supplies are reduced due to weather or other production problems. The impact of a change in feed costs is not as significant for those generally smaller operations which produce most of their feed.

Intermittent rainfall, in our service area, during the 2006 growing season left growers apprehensive about the size and quality of the crops. Late season rains were favorable for soybean yields with many areas reporting a surprising record crop for both soybeans and corn. Demand for corn is pushing up prices for most coarse grains.

Analysis of Risk

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

As of December 31	2006	2005	2004
Loans:			
Accruing restructured	**$317**	$351	$607
Past due 90 days or more still accruing	**219**	17	--
Nonaccrual	**2,167**	4,353	11,268
Total risk loans	**2,703**	4,721	11,875
Other property owned	**7**	7	7
Total risk assets	**$2,710**	$4,728	$11,882
Risk loans as a percentage of total loans	**0.2%**	0.3%	0.9%
Total delinquencies as a percentage of total loans	**0.3%**	0.2%	0.5%

Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection.

The decrease in nonaccrual loans was due to collection on a large nonaccrual capital markets loan during 2006. The volume of nonaccrual loans remained at an acceptable level at December 31, 2006 and represented .1% of our total portfolio. At December 31, 2006, 13.3% of our nonaccrual loans were current.

The credit quality of our portfolio rose during 2006. Adversely classified assets decreased from .7% of the portfolio at December 31, 2005 to .5% of the portfolio at December 31, 2006. Adversely classified assets are assets that we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, we use various government guarantee programs to reduce the risk of loss. At December 31, 2006, $17.2 million of our loans were, to some level, guaranteed under these government programs.

Analysis of the Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as:

- loan loss history,
- portfolio quality, and
- current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

As of December 31	2006	2005	2004
Allowance as a percentage of:			
Loans	**0.1%**	0.1%	0.2%
Nonaccrual loans	**79.6%**	47.0%	29.6%
Total risk loans	**63.8%**	43.3%	28.1%
Net chargeoffs as a percentage of average loans	**--**	--	0.1%
Adverse assets to risk funds	**2.8%**	4.5%	8.0%

In our opinion, the allowance for loan losses was reasonable in relation to the probable losses in the loan portfolio at December 31, 2006.

We, along with other Farm Credit System institutions, refined our allowance for loan losses methodology during 2004. The methodology refinement resulted in a calculated allowance for loan losses that was significantly less than the previously recorded balance due to revised loss factors that are more indicative of actual loss experience in recent years and current borrower analysis. The factors considered in determining the revised level of allowance for loan losses are based on recent historical chargeoff experience adjusted for relevant environmental factors. As a result of these studies, we significantly reduced our allowance for loan losses during 2004, resulting in net reversal of provision expense of $20.7 million on the Consolidated Statement of Income for the year ended December 31, 2004. We continued to follow this methodology through December 31, 2006 and it is our intent to continue to use this methodology going forward. See Note 4 for additional discussion.

Young, Beginning and Small Farmers and Ranchers

We have specific programs in place to serve the credit and related needs of young, beginning and small farmers and ranchers in our territory. The definitions of young, beginning and small farmers and ranchers follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Demographics

We have used a special tabulation of the 2002 USDA Census of Agriculture as our source of demographic data for comparison to our performance in serving young, beginning, and small farmers and ranchers (YBS). This special tabulation included only those farms in our chartered territory that have debt and annual gross sales of at least $10,000.

The following table is a comparison of our results compared to the 2002 USDA Census data for our territory:

	Percentages by Number		
As of December 31, 2006	Young	Beginning	Small
FCS of Illinois	15.10%	15.66%	54.26%
2002 Census data	12.90%	3.95%	73.60%

As shown in the above table, based on year-end numbers, our business activity with young and beginning farmers exceeds the demographics of the marketplace, whereas its business activity with small farmers is below the demographics of the marketplace. Although the business activity with the small farmers was below the census data, it exceeded our targets as established in our business plan.

Mission Statement

Our mission is to provide competitive and dependable credit and related services. This applies to all eligible customers, and specifically to young, beginning, and small farmers and ranchers. We will accomplish this mission by:

- providing discounted interest rates for up to a maximum period of five years through our YBS loan program for young and/or beginning farmers,
- making full use of guaranteed loan programs through the State of Illinois and the USDA Farm Service Agency,
- establishing both quantitative portfolio targets and qualitative goals for services offered and,
- continuing to participate in numerous outreach programs which benefit YBS farmers.

Quantitative Goals

Quantitative targets and qualitative goals for YBS loans are established on an annual basis for the succeeding 3 years. The following targets and goals were established for 2006 (actual numbers):

Young Beginning Farmers and Ranchers - Target and Goals for the Year 2006				
Category	Number of New Loans Closed	Number of Loans Outstanding	Total Loan Volume (000)	Percent of Total Loans
Young Farmer	700	2,300	$220,000	10.0%
Beginning Farmer	700	2,300	220,000	10.0%
Small Farmer	2,500	7,800	535,000	50.0%
Outreach Program - Goal for total number of activities			75	

As of December 31, 2006, all targets and goals for the YBS program were met.

The following tables detail the level of new business generated in 2006 plus the level of business outstanding as of December 31, 2006, both by number of loans and by volume for young and beginning farmers and ranchers:

Young Beginning Farmers and Ranchers - Number/Volume of Loans Outstanding				
Category	Number of Loans	Percent Total	Volume Outstanding	Percent Total
Total loans and commitments	21,068	100.0%	$1,826,334	100.0%
Young farmers and ranchers	3,182	15.1%	257,682	14.1%
Beginning farmers and ranchers	3,299	15.7%	286,161	15.7%

Young Beginning Farmers and Ranchers - Gross New Business during 2006				
Category	Number of Loans	Percent Total	Volume Outstanding	Percent Total
Total number new loans and commitments made during 2006	12,006	100.0%	$1,019,850	100.0%
Total loans and commitments made to young farmers and ranchers	1,577	13.1%	104,081	10.2%
Total loans and commitments made to beginning farmers and ranchers	1,490	12.4%	114,049	11.2%

As of December 31, 2006, the following tables detail the level of new business generated in 2006 plus the level of business outstanding for small farmers and ranchers:

Small Farmers and Ranchers - Number/Volume of Loans Outstanding by Loan size December 31, 2006				
Number/Volume Outstanding	$0 to $50,000	$50,001 to 100,000	$100,001 to 250,000	$250,001 and greater
Total loans and commitments	10,797	4,810	3,759	1,702
Total loans to small farmers and ranchers	7,189	2,620	1,331	292
Percentage	66.6%	54.5%	35.4%	17.2%
Total loan volume outstanding at year end	158,345	262,717	479,848	925,424
Total loan volume to small farmers and ranchers	99,306	150,512	185,411	120,106
Percentage	62.7%	57.3%	38.6%	13.0%

Small Farmers and Ranchers - Gross New Business by Loan Size December 31, 2006				
Number/Volume Outstanding	$0 to $50,000	$50,001 to 100,000	$100,001 to 250,000	$250,001 and greater
Total loans and commitments made during 2006	5,873	2,527	1,726	1,940
Total loans made to small farmers and ranchers in 2006	4,081	1,203	421	92
Percentage	69.5%	47.6%	24.4%	4.7%
Total gross loan volume of all new loans made during 2006	$61,338	$92,768	$168,057	$697,687
Total gross loan volume to small farmers and ranchers during 2006	$37,416	$46,478	$48,938	$37,010
Percentage	61.0%	50.1%	29.1%	5.3%

Outreach Program

Our marketing plan includes special emphasis on the young, beginning, and small farmer loan program and we participate in several outreach programs to promote our products and services to this segment of the market. In 2005, in conjunction with other agribusiness sponsors, we helped launch and coordinate the “Cultivating Master Farmers” program whereby 10 young farmers were brought together with 6 Prairie Farmer “Master Farmers” to participate in roundtable discussions to exchange ideas. This program was continued in 2006 and the first participants are scheduled to “graduate” in the spring of 2007. Based on the positive response and reviews from the first class, the program is being continued and it is our intent to revolve a new class of farmers through the program every two years. In addition to the Cultivating Master Farmer Program, we also sponsored several young farmers’ attendance at the July 2006 “Farm Vision 2010 – Good or Great?” seminar that was organized by the Department of Agricultural and Consumer Economics within the College of Agricultural, Consumer and Environmental Sciences (ACES) at the University of Illinois. This seminar addressed several issues facing young farmers and a similar seminar is being planned for 2007.

We participated in a total of 87 outreach activities in 2006, surpassing our goal of 75 for the year.

Safety and Soundness of the Program

In order to limit our risk for loans approved under the young, beginning, and small farmer loan program we have established specific lending limits and credit standards for clients who use the program.

Additional Loan Information

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

Results of Operations

The following table illustrates profitability information (in thousands):

For the year ended December 31	**2006**	2005	2004
Net income	**$23,647**	$23,443	$39,832
Return on average assets	**1.6%**	1.7%	3.1%
Return on average members' equity	**8.0%**	8.6%	17.0%

Changes to our return on average assets and return on average members’ equity related directly to the changes in income as, discussed below, to the changes in assets discussed in the Loan Portfolio Section, and to the changes in members’ equity discussed in the Capital Adequacy Section.

The following table summarizes the changes in components of net income (in thousands):

Increase (decrease) in net income	**2006 vs. 2005**	2005 vs. 2004
Net interest income	**$2,010**	$1,707
(Reversal of) provision for loan losses	**(1,135)**	(19,418)
Patronage and dividend income	**257**	464
Financially related services and miscellaneous income, net	**2,982**	270
Operating expenses	**(3,653)**	(1,478)
Provision for income taxes	**(257)**	2,066
Total change in net income	**$204**	($16,389)

Net Interest Income

Net interest income was $37.5 million for the year ended December 31, 2006. The following table quantifies changes in net interest income (in thousands):

Changes in net interest income due to:	**2006 vs. 2005**	2005 vs. 2004
Changes in volume	**$3,069**	$2,133
Changes in rates	**(689)**	490
Changes in nonaccrual income and other	**(370)**	(916)
Net change	**$2,010**	$1,707

Net interest income included income on nonaccrual loans that totaled $133 thousand in 2006, $365 thousand in 2005, and $903 thousand in 2004. Nonaccrual income is recognized when:

- received in cash,
- collection of the recorded investment is fully expected, and
- prior chargeoffs have been recovered.

Net interest margin (net interest income divided by average earning assets) was 2.6% in 2006, 2.7 % in 2005, and 2.7 % in 2004.

Provision for Loan Losses

The variance in 2006 versus 2005 is due to a big third quarter reversal of specific allowance, in 2005, on a large capital markets loan. The variance in 2005 versus 2004 is primarily due to a significant 2004 reversal resulting from a refined methodology, as discussed further in the Loan Portfolio – Analysis of Allowance for Loan Losses Section. This reversal resulted in a net reversal of provision expense of $20.7 million for the year ended December 31, 2004.

Patronage Income

We received patronage income based on the average balance of our note payable to AgriBank, FCB. AgriBank, FCB's Board of Directors sets the patronage rate. We recorded patronage income of $3.8 million in 2006, $3.5 million in 2005, and $3.0 million in 2004. Changes in our note payable to AgriBank, FCB and, to a lesser extent, changes in the patronage rate, caused the variances in the patronage income amounts. The patronage rates paid by AgriBank, FCB were 32.0 basis points in 2006, 32.0 basis points in 2005, and 28.3 basis points in 2004.

We received another component of patronage, referred to as equalization, from AgriBank, FCB. The quarterly average balance of our preferred stock investment in AgriBank, FCB is used to determine this amount. AgriBank, FCB's Board of Directors sets the equalization rate. The targeted rate equals the average cost of funds for all affiliated associations as a group. As of December 30, 2005, we no longer had any preferred stock investment in AgriBank, FCB. Therefore, we recorded no equalization income for 2006, while we recorded equalization income of $61 thousand for 2005 and $119 thousand for 2004.

Financially Related Services and Miscellaneous Income, Net

The increase in financially related services and miscellaneous income, net is primarily due to an increase in multi-peril crop insurance income and a $1.6 million gain recognized in 2006 on the sale of Farm Credit System Financial Assistance Corporation stock, as described in Note 15.

We may originate rural home loans for resale to the secondary market. We sold no loans through the secondary market and had no fee income in 2006 or 2005. In comparison, loans sold through the secondary market totaled 7.1 million in 2004 while fee income from this activity totaled $149 thousand.

Operating Expenses

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

For the year ended December 31	**2006**	2005	2004
Salaries and benefits	**$13,471**	$11,594	$10,093
Purchased and vendor services	**1,964**	1,862	2,513
Advertising and promotion	**1,162**	1,229	1,013
Communications	**271**	257	268
Occupancy and equipment	**1,552**	1,493	1,462
Examination	**513**	475	453
System insurance	**2,148**	674	660
Other	**2,404**	2,248	1,892
Total	**$23,485**	$19,832	$18,354
Operating rate	**1.6%**	1.5%	1.4%

The operating expense increases were primarily related to salaries and benefits expense and Farm Credit System insurance expense. The increase in Farm Credit System insurance premiums is due to an increase in the premium rates on accrual loans from 5.0 basis points in 2005 to 15.0 basis points for 2006.

Provision for Income Taxes

We recorded tax expense of $1.1 million for the year ended December 31, 2006, compared to $877 thousand for 2005, and $2.9 million for 2004. See Note 9 for additional discussion.

Funding and Liquidity

We borrow from AgriBank, FCB under a note payable, in the form of a line of credit, as described in Note 7. During 2006, our average balance was $1.2 billion with an average interest rate of 4.9%. Our average balance during 2005 was $1.1 billion with an average interest rate of 3.6% and during 2004 our average balance was $1.1 billion with an average interest rate of 2.4%. Our other source of lendable funds is from unallocated surplus.

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank, FCB. At December 31, 2006, we had $83.7 million available under our line of credit. We generally apply excess cash to this line of credit.

We offer variable, fixed, capped, indexed, adjustable interest rate loans, and lease programs to our borrowers. We determine interest margins charged on each lending program based on:

- our cost of funds,
- market conditions, and
- the need to generate sufficient earnings.

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Capital Adequacy

Total members' equity increased $23.8 million during 2006 due to net income for the period, along with an increase in capital stock and participation certificates outstanding.

Members' equity position information is as follows (in thousands):

As of December 31	**2006**	2005	2004
Members' equity	**$306,743**	$282,935	$263,409
Surplus as a percentage of members' equity	**97.9%**	97.8%	96.1%
Permanent capital ratio	**15.4%**	16.0%	15.8%
Total surplus ratio	**15.0%**	15.6%	15.1%
Core surplus ratio	**15.0%**	15.6%	14.9%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

At December 31, 2006, our permanent capital ratio, total surplus ratio and core surplus ratio significantly exceeded the regulatory minimum requirements. See Note 8 for further discussions of these regulatory ratios.

In addition to these regulatory requirements, we establish an optimum permanent capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2006, our optimum permanent capital target was 14%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio Section for further discussion of the changes in assets. Additional members' equity information is included in Note 8.

Initiatives

We are involved in a number of initiatives designed to improve our credit delivery, related services, and marketplace presence.

ProPartners Financial

We participate in ProPartners Financial with 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. We had $36.3 million of ProPartners Financial volume at December 31, 2006, $34.0 million at December 31, 2005, and $31.0 million at December 31, 2004.

Farm Cash Management

We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank, FCB Investment Bond to optimize members' use of funds.

Mission Related Investments

We are participating in a mission related investment pilot program authorized during 2006 by the Farm Credit Administration in order to meet the changing needs of agriculture and rural America by making investments that support farmers, ranchers, agribusinesses, and their rural communities and businesses. These investments will help to increase the well-being and prosperity of farmers, ranchers, and rural areas and their residents by providing an adequate flow of capital into rural areas. As of December 31, 2006, we had not entered into any transactions under this pilot program.

Relationship with AgriBank, FCB

Borrowings

We borrow from AgriBank, FCB to fund our lending operations in accordance with the Farm Credit Act of 1971, as amended. Approval from AgriBank, FCB would be required for us to borrow elsewhere. A General Financing Agreement, as discussed in Note 7, governs this lending relationship. Cost of funds under the General Financing Agreement includes:

- a marginal cost of debt component,
- a cost of servicing component,
- a bank spread component, and
- a risk premium component, if applicable.

Our cost of funds included the components above, however we were not subject to the risk premium component. The marginal cost of debt approach simulates match funding the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This methodology substantially protects us from interest rate risk.

Investment

We are required to invest in AgriBank, FCB capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing previously distributed AgriBank, FCB surplus. As of December 31, 2006, we were required to maintain a common stock investment equal to 2.5% of the average quarterly balance of our note payable to AgriBank, FCB. AgriBank, FCB's current bylaws allow the required investment to increase to 4.0%. At December 31, 2006, $26.4 million of our investment in AgriBank, FCB consisted of stock representing distributed AgriBank, FCB surplus. Since December 2005, we purchased additional Agribank, FCB stock in the amount of $6.0 million in order to meet our required investment. Through 2002, the entire stock investment in AgriBank, FCB was dividend bearing. We have received no dividend income since 2002 and we do not anticipate any in future years.

Patronage

We receive patronage income based on the average balance of our note payable to AgriBank, FCB. As of December 31, 2006, we no longer had any preferred stock in AgriBank.

Purchased Services

We purchase various services from AgriBank, FCB including:

- certain information systems,
- certain financial services,
- certain accounting and reporting services, and
- selected retail product processing and support.

The total cost of services we purchased from AgriBank, FCB was $1.6 million in 2006, $1.5 million in 2005, and $1.3 million in 2004.

Affect on Shareholder's Investment

Due to the nature of our financial relationship with AgriBank, FCB, the financial condition and results of operations of AgriBank, FCB materially affect our shareholders' investment. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports contact us at 2101 West Park Court, Post Office Box 3849, Champaign, Illinois 61826, (217) 352-1378 or contact AgriBank, FCB at 375 Jackson Street, St. Paul, MN 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The reports are also available through AgriBank, FCB's website at www.agribank.com.

To request a free copy of our annual or quarterly reports contact us as stated above. The quarterly reports are available 45 days after the end of each calendar quarter.

AgriBank, FCB Merger Activity

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

Relationship with Other Farm Credit Institutions

We participate in the Insight Technology Unit with other District associations to facilitate the development and maintenance of certain technology systems essential to providing credit to our borrowers. The Insight Technology Unit is governed by representatives of each participating association. The expenses are shared prorata based on the number of loans and leases of each participant.

REPORT OF MANAGEMENT

Farm Credit Services of Illinois, ACA

We prepare the consolidated financial statements of Farm Credit Services of Illinois, ACA and are 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 our opinion, fairly present the financial condition of Farm Credit Services of Illinois, ACA. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also conduct a review of internal controls to the extent necessary to comply with generally accepted auditing standards in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us 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 of Directors, which is composed solely of directors who are not officers or employees of Farm Credit Services of Illinois, ACA.

The undersigned certify that Farm Credit Services of Illinois, ACA's annual report has been prepared in accordance with all 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 28, 2007

REPORT OF AUDIT COMMITTEE

Farm Credit Services of Illinois, ACA

The consolidated financial statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of Farm Credit Services of Illinois, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as our independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2006 with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, *Communication With Audit Committees*, and both PwC and the internal auditors directly provided reports on significant matters to the Audit Committee.

The Audit Committee received the written disclosures and the letter from PwC in accordance with Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and discussed with PwC its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discusses with management and PwC such other matters and received such assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2006.

Lance Beery
Chairperson of the Audit Committee
Farm Credit Services of Illinois, ACA

Audit committee members:
Kent Brinkmann, Dave Champion, Mike Carls, Jack Crumrin, Dale Crawford, J. Dale Edwards, Dennis Frey, Dr. Kim Harris, Jack Hastings, Larry Hasheider, Mark Miller, Robert Pharis, Russell Roosevelt, John Schable, Don Sievers, and Larry Thomas

February 28, 2007

PRICEWATERHOUSECOOPERS

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REPORT OF INDEPENDENT AUDITORS

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

In our opinion, the accompanying consolidated statement of condition and the related consolidated statements of income, of changes in members' equity and of cash flows present fairly, in all material respects, the financial position of Farm Credit Services of Illinois, ACA (the Association) and its subsidiaries at December 31, 2006, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 28, 2007

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

As of December 31	**2006**	2005	2004
ASSETS			
Loans	**$1,612,209**	$1,417,432	$1,350,417
Allowance for loan losses	**1,725**	2,044	3,333
Net loans	**1,610,484**	1,415,388	1,347,084
Investment in AgriBank, FCB	**32,342**	26,885	26,388
Accrued interest receivable	**34,520**	25,652	19,356
Premises and equipment, net	**4,137**	3,534	3,101
Other property owned	**7**	7	7
Other assets	**6,290**	7,702	4,635
Total assets	**$1,687,780**	$1,479,168	$1,400,571
LIABILITIES			
Note payable to AgriBank, FCB	**$1,355,013**	$1,178,099	$1,123,968
Accrued interest payable	**16,797**	11,824	7,313
Net deferred income tax liability	**984**	1,084	481
Other liabilities	**8,243**	5,226	5,400
Total liabilities	**1,381,037**	1,196,233	1,137,162
Contingencies			
MEMBERS' EQUITY			
Protected members' equity	**64**	67	346
Capital stock and participation certificates	**6,401**	6,237	9,875
Unallocated surplus	**300,278**	276,631	253,188
Total members' equity	**306,743**	282,935	263,409
Total liabilities and members' equity	**$1,687,780**	$1,479,168	$1,400,571

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	**2006**	2005	2004
Interest income	**$96,227**	$75,323	$59,353
Interest expense	**58,734**	39,840	25,577
Net interest income	**37,493**	35,483	33,776
(Reversal of) provision for loan losses	**(140)**	(1,275)	(20,693)
Net interest income after provision for loan losses	**37,633**	36,758	54,469
Other income			
Patronage income	**3,837**	3,580	3,116
Financially related services and miscellaneous income, net	**6,796**	3,814	3,544
Total other income	**10,633**	7,394	6,660
Operating expense			
Salaries and employee benefits	**13,471**	11,594	10,093
Other operating expense	**10,014**	8,238	8,261
Total operating expense	**23,485**	19,832	18,354
Income before income taxes	**24,781**	24,320	42,775
Provision for income taxes	**1,134**	877	2,943
Net income	**$23,647**	$23,443	$39,832

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, 2003	$384	$10,258	$213,356	$223,998
Net income	--	--	39,832	39,832
Capital stock/participation certificates issued	--	726	--	726
Capital stock/participation certificates retired	(38)	(1,109)	--	(1,147)
Balance at December 31, 2004	346	9,875	253,188	263,409
Net income	--	--	23,443	23,443
Capital stock/participation certificates issued	--	565	--	565
Capital stock/participation certificates retired	(279)	(4,203)	--	(4,482)
Balance at December 31, 2005	67	6,237	276,631	282,935
Net income	**--**	**--**	**23,647**	**23,647**
Capital stock/participation certificates issued	**--**	**637**	**--**	**637**
Capital stock/participation certificates retired	**(3)**	**(473)**	**--**	**(476)**
Balance at December 31, 2006	**$64**	**$6,401**	**$300,278**	**$306,743**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

Year ended December 31	**2006**	2005	2004
Cash flows from operating activities			
Net income	**$23,647**	$23,443	$39,832
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**508**	458	513
Depreciation on assets held for lease	**179**	226	240
(Reversal of) provision for loan losses	**(140)**	(1,275)	(20,693)
(Increase) in accrued interest receivable	**(9,122)**	(6,402)	(764)
Decrease (increase) in other assets	**1,982**	(3,328)	1,734
Increase in accrued interest payable	**4,973**	4,511	1,066
Increase in other liabilities	**2,917**	429	468
Loss (gain) on sale of premises and equipment	**4**	(109)	(9)
Loss (gain) on disposal of assets held for lease	**5**	(4)	--
Gain on sale of Farm Credit System Financial Assistance Corporation stock	**(1,571)**	--	--
Total adjustments	**(265)**	(5,494)	(17,445)
Net cash provided by operating activities	**23,382**	17,949	22,387
Cash flows from investing activities			
Increase in loans, net	**(194,427)**	(67,295)	(81,459)
Purchases of investment in AgriBank, FCB	**(5,457)**	(497)	--
(Purchases) disposals of assets held for lease, net	**(754)**	39	24
Purchases of premises and equipment, net	**(1,115)**	(782)	(696)
Sale of Farm Credit System Financial Assistance Corporation stock	**1,571**	--	--
Net cash used in investing activities	**(200,182)**	(68,535)	(82,131)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB	**176,914**	54,131	60,020
Capital stock and participation certificates retired, net	**(114)**	(3,545)	(276)
Net cash provided by financing activities	**176,800**	50,586	59,744
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental schedule of non-cash activities			
Stock financed by loan activities	**$555**	$468	$661
Stock applied against loan principal	**279**	837	801
Stock applied against interest	**1**	3	5
Interest transferred to loans	**253**	103	340
Supplemental information			
Interest paid	**$53,761**	$35,329	$24,511
Taxes paid	**333**	661	424

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Farm Credit Services of Illinois, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

Farm Credit System Lending Institutions: The Farm Credit System is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. At December 31, 2006, the Farm Credit System consisted of four Farm Credit Banks, one Agricultural Credit Bank, and approximately one hundred associations. AgriBank, FCB and its affiliated associations are collectively referred to as the District. At December 31, 2006, the District consisted of eighteen Agricultural Credit Associations that each have wholly-owned Federal Land Credit Association and Production Credit Association subsidiaries. Federal Land Credit Associations are authorized to originate long-term real estate mortgage loans. Production Credit Associations are authorized to originate short-term and intermediate-term loans. Agricultural Credit Associations are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are also authorized to provide lease financing options for agricultural purposes. AgriBank, FCB 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. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a Farm Credit System lending institution, but have operations that are functionally similar to the activities of eligible borrowers. Associations are also authorized to purchase and hold certain types of investments.

Farm Credit System Regulator: The Farm Credit Administration is authorized by Congress to regulate the Farm Credit System banks and associations. We are examined by the Farm Credit Administration and certain association actions are subject to the prior approval of the Farm Credit Administration and/or AgriBank, FCB.

Farm Credit Insurance Fund: The Farm Credit Act of 1971, as amended, established the Farm Credit System Insurance Corporation to administer the Farm Credit Insurance Fund. The Farm Credit Insurance Fund is used:

- to insure the timely payment of principal and interest on Farm Credit 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 Farm Credit System Insurance Corporation, the Farm Credit Insurance Fund is also available to provide assistance to certain troubled Farm Credit System institutions and for the operating expenses of the Farm Credit System Insurance Corporation. Each Farm Credit System bank is required to pay premiums into the Farm Credit Insurance Fund, based on its annual average loan principal outstanding, until the assets in the Farm Credit Insurance Fund equal 2% of Systemwide debt obligations or such other percentage of the aggregate obligations as the Farm Credit System Insurance Corporation in its sole discretion determines to be actuarially sound. AgriBank, FCB, in turn, assesses the associations premiums each year based on the average principal outstanding of accrual and nonaccrual loans of the associations.

Association

Farm Credit Services of Illinois, ACA and its subsidiaries, Farm Credit Services of Illinois, FLCA and Farm Credit Services of Illinois, PCA are lending institutions of the Farm Credit System. We are a member-owned cooperative providing 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, Platt, Pope, Pulaski, Randolph, Richland, Saline, Sangamon, Scott, Shelby, St. Clair, Union, Vermillion, Wabash, Washington, Wayne, White and Williamson in the state of Illinois.

We borrow from AgriBank, FCB and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options. The PCA makes short-term and intermediate-term loans and provides lease financing options for agricultural production or operating purposes.

We offer various risk management services, including credit life, term life, crop hail, and multi-peril crop insurance for borrowers and those eligible to borrow. We also offer fee appraisals to our members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and the prevailing practices within the financial services industry. Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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 consolidated financial statements and the reported amounts of revenues 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 our significant accounting policies:

Loans: Mortgage loan terms range from 5 to 40 years at origination. Almost all commercial loans are made for agricultural production or operating purposes with original loan terms of 10 years or less.

Loans are carried at their principal amount outstanding. Loan interest 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. The net amount of these fees and expenses is not material to the consolidated financial statements taken as a whole.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is 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, we reverse accrued interest 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 is capitalized to the recorded investment of the loan. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, 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 as doubtful or loss.

We are authorized to purchase and hold certain types of investments. As we have the positive intent to hold the investments to maturity, they have been classified as held-to-maturity and are carried at cost.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as:

- loan loss history,
- portfolio quality, and
- current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually under Statement of Financial Accounting Standard No. 114, *Accounting by Creditors for Impairment of a Loan*, to establish a specific allowance for impaired loans. A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. We measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- formally restructured loans, and
- loans that are 90 days or more past due and still accruing.

We record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral. When collection is unlikely, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We apply Statement of Financial Accounting Standard No. 5, *Accounting for Contingencies*, to loans that are not individually assessed as impaired. An allowance is recorded for probable and estimable credit losses as of the financial statement date.

Changes in the allowance for loan losses consist of provision activity, recorded as "(Reversal of) provision for loan losses" on the Consolidated Statement of Income, and chargeoffs and recoveries.

Investment in AgriBank, FCB: Accounting for our investment in AgriBank, FCB is on a cost plus allocated equities basis. The investment in AgriBank, FCB is in the form of Class P common stock.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in current operating results. Maintenance and repairs are included in operating expense and improvements are capitalized.

Other Property Owned: We record other property owned, which consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, 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 "Financially related services and miscellaneous income, net" on the Consolidated Statement of Income.

Leases: We have finance and operating leases. Under finance leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance income to earnings on the interest method. The carrying amount of finance leases is included in "Loans" on the Consolidated Statement of Condition and represents lease rent receivables net of the unearned income plus the residual receivable. We recognize operating lease revenue evenly over the term of the lease. We charge depreciation and other expenses against revenue as incurred. The carrying amount of operating leases is included in the "Other assets" line on the Consolidated Statement of Condition and represents the asset cost net of accumulated depreciation.

Employee Benefit Plans: Our employees may be eligible to participate in the defined benefit retirement plan of the Seventh Farm Credit District. The plan is comprised of two benefit formulas. Effective October 1, 2001, all new benefits eligible employees participate in the cash balance formula. Employees hired prior to October 1, 2001 had the option to choose their benefit according to the new cash balance formula or remain on a final average pay formula. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting purposes and the "Entry Age Normal Cost" method for funding purposes. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees. Employees hired after December 31, 2006 may only participate in the defined contribution plan and are eligible for enhanced benefits as described in the following paragraph.

Our employees may be eligible to participate in a defined contribution plan. The plan allows employees to save for their retirement either pre-tax/post-tax or both with an employer match on a percentage of the employee's contributions. For employees hired after December 31, 2006, the defined contribution plan is the only retirement plan available and we provide enhanced benefits under this plan in the form of a fixed percentage of salary contribution. These enhanced benefits are in addition to the employer match. Employer contributions are expensed when incurred.

We also provide certain health and life insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for 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.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act of 1971, as amended.

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

Recent Accounting Developments: On September 30, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 158 – *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit pension or other postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through other comprehensive income. The Standard is effective for employers with publicly traded securities for the fiscal year ending after December 15, 2006 and for employers without publicly traded securities for the fiscal year ending after June 15, 2007. We will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, we use a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for fiscal years ending after December 15, 2008. We are currently evaluating the impact of implementing this Standard. It is anticipated that the implementation of this Standard will have no impact on the Consolidated

Statement of Income. Based on the current funded status of the defined benefit and other postretirement benefit plans, implementation of this Standard will reverse our prepaid pension asset and record a prepaid pension liability in the amount of our share of the underfunded status of the plans. The offset to this transaction will be a decrease to our equity (through other comprehensive income) by approximately $6.8 million at December 31, 2007. Our regulatory capital ratios will not be impacted by the implementation of this standard as other comprehensive income does not impact the calculation of these ratios.

In June 2006, the Financial Accounting Standards Board released Interpretation No. 48 – *Accounting for Uncertainty in Income Taxes*. This Interpretation clarifies the accounting for uncertainty in income tax positions recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standard No. 109 – *Accounting for Income Taxes.* This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition of an uncertain tax position taken or expected to be taken in a tax return. This interpretation will be effective for the 2007 calendar year, and is not expected to have a material impact on our financial position.

NOTE 3: LOANS

Loans consisted of the following (in thousands):

As of December 31, 2006	**Amount**	**Percentage**
Long-term agricultural mortgage	**$1,003,031**	**61.1%**
Production	**252,443**	**15.4%**
Intermediate term	**149,450**	**9.1%**
Processing and marketing	**11,483**	**0.7%**
Finance leases	**167**	**0.0%**
Participations purchased	**223,945**	**13.6%**
Other	**1,391**	**0.1%**
Subtotal	**1,641,910**	**100.0%**
Participations sold	**(29,701)**	
Total loans	**$1,612,209**	

As of December 31, 2005	Amount	Percentage
Long-term agricultural mortgage	$908,646	63.0%
Production	209,604	14.5%
Intermediate term	141,362	9.8%
Processing and marketing	4,258	0.3%
Finance leases	372	0.1%
Participations purchased	176,186	12.1%
Other	2,190	0.2%
Subtotal	1,442,618	100.0%
Participations sold	(25,186)	
Total loans	$1,417,432	

As of December 31, 2004	Amount	Percentage
Long-term agricultural mortgage	$882,399	62.1%
Production	204,156	14.4%
Intermediate term	182,859	12.9%
Processing and marketing	2,928	0.2%
Finance leases	597	0.1%
Participations purchased	143,793	10.1%
Other	3,108	0.2%
Subtotal	1,419,840	100.0%
Participations sold	(69,423)	
Total loans	$1,350,417	

We participate in the Illinois State Linked Deposit Program to provide reduced rate loan funds to eligible borrowers. Loans outstanding under this state program were $130.4 million at December 31, 2006, $84.4 million at December 31, 2005, and $14.8 million at December 31, 2004.

Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration Regulations or General Financing Agreement limitations. The following table presents information regarding participations purchased and/or sold (in thousands):

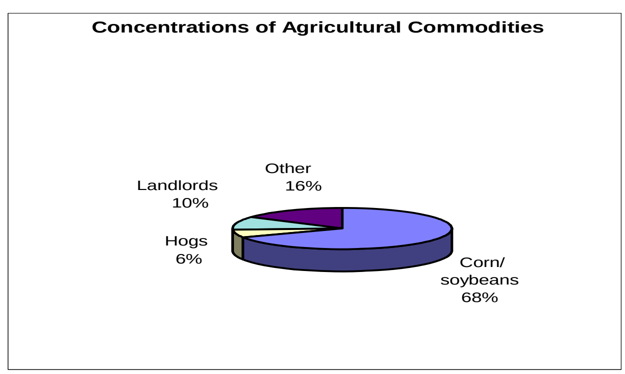
	Participations	
As of December 31, 2006	**Purchased**	**Sold**
Participations purchased from / sold to:		
AgriBank, FCB	**$ --**	**$12,128**
Other Farm Credit institutions	**220,062**	**17,573**
Non-Farm Credit institutions	**3,883**	**--**
Total participations purchased/sold	**$223,945**	**$29,701**

Portfolio Concentrations

We have concentrations with individual borrowers, within various agricultural commodities and within our chartered territory.

At December 31, 2006, volume plus commitments to our ten largest borrowers totaled an amount equal to 45.5% of members' equity.

Our agricultural commodity concentrations at December 31, 2006, were as follows:



The commodity concentrations have not changed materially from prior years.

We are chartered to operate in certain counties in Illinois. Approximately 11.1% of our total loan portfolio was in the counties of Champaign and Iroquois at December 31, 2006. No other counties exceed 5% of our loan portfolio.

While these concentrations represent our maximum potential credit risk as it relates to recorded loan principal, a substantial portion of our lending activities is collateralized. This reduces our exposure to credit loss associated with our lending activities. We consider credit risk exposure in establishing the allowance for loan losses.

Risk Loans

A loan is considered a risk loan if it is probable that we will be unable to collect all principal and interest according to the loan agreement. The following table presents risk loan (accruing volume includes accrued interest receivable) information (in thousands):

As of December 31	**2006**	2005	2004
Nonaccrual loans:			
Current as to principal and interest	**$289**	$3,281	$6,973
Past due	**1,878**	1,072	4,295
Total nonaccrual loans	**2,167**	4,353	11,268
Accruing restructured loans	**317**	351	607
Loans past due 90 days or more still accruing	**219**	17	--
Total risk loans	**$2,703**	$4,721	$11,875
Volume with specific reserves	**$201**	$2,926	$5,707
Volume without specific reserves	**2,502**	1,795	6,168
Total risk loans	**$2,703**	$4,721	$11,875
Total specific reserves	**$151**	$725	$1,450
For the year ended December 31	**2006**	2005	2004
Income on accrual risk loans	**$59**	$34	$28
Income on nonaccrual loans	**133**	365	903
Total income on risk loans	**$192**	$399	$931
Average recorded investment	**$4,118**	$7,510	$15,269

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2006.

Loans 90 days or more past due and still accruing interest 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 (in thousands):

For the year ended December 31	**2006**	2005	2004
Balance at beginning of year	**$2,044**	$3,333	$25,377
(Reversal of) provision for loan losses	**(140)**	(1,275)	(20,693)
Loan recoveries	**24**	40	68
Loan chargeoffs	**(203)**	(54)	(1,419)
Balance at end of year	**$1,725**	$2,044	$3,333

Our allowance for loan losses historically has represented a conservative view of the allowance which was reflective of the loss history in the 1980's under the supervision of the Farm Credit Administration in its role as a "safety and soundness" regulator. Accounting for loan loss allowances is a particular area of focus for bank regulators, the Securities and Exchange Commission and those setting industry accounting standards. The Farm Credit System is not subject to oversight by the Securities and Exchange Commission or various banking regulators. Of particular relevance to the Farm Credit System are the views of the American Institute of Certified Public Accountants and the Farm Credit Administration. The guidance proposed by those setting industry accounting standards and issued by the other regulators in recent years focused on the determination of the allowance for loan losses based on current loss experience rather than a more historical view of loss experience. Thus, Farm Credit System institutions determined that studies should be conducted during 2004 to further refine the methodologies for calculating allowances for loan losses.

In April 2004, the Farm Credit Administration issued an "Informational Memorandum" to Farm Credit System institutions regarding the criteria and methodologies that would be used in evaluating the adequacy of a Farm Credit System institutions' allowance for loan losses. The Farm Credit Administration endorsed the direction provided by other bank regulators and the Securities and Exchange Commission and indicated the conceptual framework addressed in the Farm Credit Administration guidance would be included as part of the examination process.

We, along with other Farm Credit System institutions, completed our study during 2004 and refined our methodology to be consistent with the guidance in the preceding paragraph. The methodology refinement resulted in a calculated allowance for loan losses that was significantly less than the previously recorded balance due to revised loss factors that are more indicative of actual loss experience in recent years and current borrower analysis. The factors considered in determining the revised level of allowance for loan losses are based on recent historical chargeoff experience adjusted for relevant environmental factors. As a result of these studies, we significantly reduced our allowance for loan losses during 2004, resulting in net reversal of provision expense of $20.7 million on the Consolidated Statement of Income for the year ended December 31, 2004. We continued to follow this methodology through December 31, 2006 and it is our intent to continue to use this methodology going forward.

NOTE 5: INVESTMENT IN AGRIBANK, FCB

At December 31, 2006, we were required by AgriBank, FCB to maintain an investment equal to 2.50**%** of the average quarterly balance of our note payable to AgriBank, FCB. This is an increase over the previous requirement of 2.35% of the average quarterly balance of our note payable at December 31, 2005 and 2.20% of the average quarterly balance of our note payable at December 31, 2004.

The following summarizes investment balances (in thousands):

	2006	2005	2004
As of December 31:			
Common stock	**$32,342**	$26,885	$24,066
Preferred stock	**--**	--	2,322
Total investment	**$32,342**	$26,885	$26,388

NOTE 6: PREMISES AND EQUIPMENT

Premises and equipment consisted of the following (in thousands):

As of December 31	**2006**	2005	2004
Land, buildings and improvements	**$6,309**	$5,748	$5,210
Furniture and equipment	**3,299**	3,011	2,838
Subtotal	**9,608**	8,759	8,048
Less: accumulated depreciation	**(5,471)**	(5,225)	(4,947)
Total	**$4,137**	$3,534	$3,101

NOTE 7: NOTE PAYABLE TO AGRIBANK, FCB

Our note payable to AgriBank, FCB represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a General Financing Agreement and our assets serve as collateral. The total line of credit was $1.5 billion and the outstanding principal under the line of credit was $1.4 billion as of December 31, 2006. The interest rate is adjusted monthly and was 5.2% at December 31, 2006. During 2006, our average balance was $1.2 billion with an average interest rate of 4.9%. Our average balance during 2005 was $1.1 billion with an average interest rate of 3.6% and during 2004 our average balance was $1.1 billion with an average interest rate of 2.4%. The maturity date is July 31, 2007 for our note payable, at which time the note will be renegotiated.

The General Financing Agreement provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. We cannot exceed these limitations without approval from AgriBank, FCB. At December 31, 2006, we were within the specified limitations and in compliance with all debt covenants.

NOTE 8: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act of 1971, as amended, each borrower is required to invest in the Association as a condition of obtaining a loan. As authorized by the Agricultural Credit Act of 1987 and shareholder-approved capitalization bylaws, the Board of Directors has adopted a capital plan that 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 customers to whom a lease is issued and of all non-stockholder customers who purchase financial services. In 2005, the Board of Directors authorized the refund of all stock in excess of the minimum requirement. This resulted in a refund of $3.5 million of excess stock. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan/lease is made, but usually does not make a cash investment. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Protection Mechanisms

Under the Farm Credit Act of 1971, as amended, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that 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 was unable to retire protected borrower equity at par value or stated value, the Farm Credit Insurance Fund would provide the amounts needed to retire this equity.

Regulatory Capitalization Requirements

Under capital adequacy regulations, we are 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%. The calculation of these ratios in accordance with Farm Credit Administration Regulations is discussed below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2006, our ratio was 15.4%.

- 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, 2006, our ratio was 15.0%.

- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank, FCB divided by average risk-adjusted assets. At December 31, 2006, our ratio was 15.0%.

We have an agreement with AgriBank, FCB which defines how our investment in AgriBank, FCB is allocated in calculating regulatory capital ratios. According to the agreement, we include in our ratios all preferred stock which is the amount of our investment in AgriBank, FCB that is in excess of the required amount. At December 31, 2006 and December 31, 2005, we no longer had any preferred stock. At December 31, 2004 we included 8.8% of our investment in AgriBank, FCB as capital. The decline in the percentage included correlates to the increases in the required amount of investment in AgriBank, FCB, as discussed in Note 5. These changes did not have a material impact on our regulatory capital ratios.

Description of Equities

The following table presents information regarding classes and number of shares of stock and participation certificates outstanding as of December 31, 2006. All shares and participation certificates were $5.00 par value.

As of December 31, 2006	Shares Outstanding
Class A common stock (protected)	**12,487**
Class C common stock (at-risk)	**1,264,218**
Participation certificates (at-risk)	**16,066**
Series 1 participation certificates	**218**

Under our bylaws, we are also authorized to issue Class B and Class D common stock. This 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. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared during the last three years.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of the Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2006, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- first, pro rata to all classes of preferred stock (if any) at par value,
- second, to the holders pro rata of all classes of common stock and participation certificates at par value,
- third, to holders of qualified written notices of allocated surplus pro rata by year of issuance,
- fourth, to holders of non-qualified written notices of allocated surplus pro rata by year of issuance, and
- last to present and former patrons on a patronage basis.

In the event of impairment, losses will be absorbed by concurrent impairment of all classes of common stock and participation certificates.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

The Farm Credit Administration prohibits patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2007. However, we do not have a patronage program to make such distributions.

NOTE 9: INCOME TAXES

Provision for Income Taxes

Our provision for income taxes follows (in thousands):

For the year ended December 31	**2006**	2005	2004
Current:			
Federal	**$1,001**	$223	$415
State	**233**	51	95
Total current	**1,234**	274	510
Deferred:			
Federal	**(82)**	491	1,982
State	**(18)**	112	451
Total deferred	**(100)**	603	2,433
Total provision for income taxes	**$1,134**	$877	$2,943
Effective tax rate	**4.6%**	3.6%	6.9%

As discussed in Note 4, during 2004, we reduced the allowance for loan losses resulting in a significant reduction in our deferred tax assets.

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

For the year ended December 31	**2006**	2005	2004
Federal tax at statutory rate	**$8,426**	$8,269	$14,544
State tax, net	**140**	104	368
Effect of non-taxable entity	**(7,435)**	(7,534)	(11,947)
Other	**3**	38	(22)
Provision for income taxes	**$1,134**	$877	$2,943

Deferred Income Taxes

Deferred tax assets and liabilities are composed of the following (in thousands):

As of December 31	**2006**	2005	2004
Allowance for loan losses	**$72**	$88	$311
SFAS 106 accrual	**406**	388	375
Accrued patronage income not received	**(162)**	(146)	(107)
AgriBank, FCB 2002 allocated stock	**(529)**	(529)	(529)
Accrued pension asset	**(502)**	(613)	(239)
Depreciation	**(131)**	(137)	(113)
Other	**(138)**	(135)	(179)
Net deferred tax liabilities	**($984)**	($1,084)	($481)
Gross deferred tax assets	**$529**	$534	$704
Gross deferred tax liabilities	**($1,513)**	($1,618)	($1,185)

A valuation reserve for the deferred tax assets was not necessary at December 31, 2006, December 31, 2005, or December 31, 2004.

We have not provided deferred income taxes on approximately $20.6 million of patronage allocations received from AgriBank, FCB prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank, FCB. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $245.5 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

NOTE 10: EMPLOYEE BENEFIT PLANS

Our employees may be eligible to participate 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. Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under the plan. Prior to 2005, costs were allocated by a proportionate share of payroll expenses.

We recorded pension expense of $1.1 million for the year ended December 31, 2006, $732 thousand for the year ended December 31, 2005, and $341 thousand for the year ended December 31, 2004. The increase in pension expense reflects decreases in the plan discount rate.

District employers also provide certain health and life insurance benefits to eligible retired employees. We recorded expenses of $128 thousand in 2006, $115 thousand in 2005, and $166 thousand in 2004 for the cost of postretirement benefits other than pensions.

The measurement date is September 30 for the District-wide defined benefit and other postretirement benefit plans. While information on the District plans is not available for our 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 (in thousands):

As of December 31, 2006	Pension Benefits	Other Benefits
Fair value of plan assets	**$509,411**	**$7,135**
Benefit obligation	**586,510**	**35,178**
Funded status	**($77,099)**	**($28,043)**
Prepaid (accrued) benefit cost recognized in the District's Statement of Condition, net	**$99,792**	**($37,900)**
Weighted-average assumptions used to determine benefit obligations		
Discount rate	**6.00%**	**6.00%**
Expected return on plan assets	**8.50%**	**6.00%**
Rate of compensation increase	**4.50%**	**n/a**

The pension benefits funding status above reflects the status based on the projected benefit obligation, which is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to that date based on assumed future compensation levels. The pension plan assets exceed the accumulated benefit obligation, which is the actuarial present value of benefits attributed to employee service rendered before a specified date and based on current employee service and compensation. The accumulated benefit obligation for the pension plan was $486.6 million for the year ended December 31, 2006.

Benefits Paid, Contributions and Net Periodic Benefit Cost

Additional information on the District's plans follows (in thousands):

For the year ended December 31, 2006	Pension Benefits	Other Benefits
Benefits paid	**$21,621**	**$2,091**
Employer contributions	**--**	**1,628**
Plan participant contributions	**--**	**--**
Net periodic benefit cost	**24,319**	**1,693**
Weighted-average assumptions used to determine net costs		
Discount rate	**5.25%**	**5.25%**
Expected return on plan assets	**8.50%**	**6.00%**
Rate of compensation increase	**4.50%**	**n/a**

Future Cash Flows

The amount of total District employer contributions expected to be paid during 2007 is $10.5 million for pension benefits and $1.5 million for other postretirement benefits.

The following benefit payments are expected to be paid by the District plans and reflect expected future service, as appropriate (in thousands):

At December 31, 2006	Pension Benefits	Other Benefits
Year:		
2007	**$23,730**	**$2,098**
2008	**24,690**	**2,164**
2009	**26,550**	**2,220**
2010	**28,850**	**2,273**
2011	**29,380**	**2,318**
2012 to 2016	**203,570**	**12,024**

Assumed Health Care Cost Trend Rates

For measurement purposes, a 10% rate of increase in the per capita cost of covered health care benefits was assumed for 2006. The rate was assumed to decrease gradually to 6% by the year 2011 and remain at that level thereafter.

Plan Assets

The District's pension plan asset allocation by asset category as of the measurement date of September 30, 2006 was 70.9% in equity securities, 28.6% in debt securities, and 0.5% in other. The plan assets for postretirement plans other than pensions were 99.4% in debt securities and 0.6% in other at September 30, 2006.

The funding objective of the plans is to provide present and future retirement or survivor benefits for its members by achieving an attractive rate of return, as defined by the plans' policy statements, without exposing the plan to undue risk. A Board of Trustees, called the Farm Credit Foundations Trust Committee, comprised of certain members of senior management of the participating employers, supervises the investment assets of the plans on behalf of the employers. The Trustees adopt an asset allocation strategy for each plan that reflects return and risk objectives, plan liabilities, and other factors.

The Trustees employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and the participating entities' financial conditions. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, small, mid, and large capitalizations. Other investment strategies may be employed to gain certain market exposures, reduce portfolio risk, and to further diversify portfolio assets. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and monthly and quarterly investment portfolio reviews.

The Trustees have developed an asset allocation policy based on plan objectives, characteristics of pension liabilities, capital market expectations, and asset-liability projections. The policy is long-term oriented and consistent with the risk exposure. The Trustees review the asset mixes periodically and rebalances the portfolio mixes at any time that an asset class migrates outside of pre-established allocation ranges. The current asset allocation policy of the pension plan is a target of 60% to 70% of assets in equity securities and 30% to 40% in debt securities.

Retirement Savings Plan

We participate in a District-wide retirement savings plan. We match dollar for dollar up to 2% of employee contributions and 50 cents on the dollar on the next 4% on both pre-tax and post-tax contributions. The maximum employer match is 4%. Our contributions and recorded expenses were $362 thousand in 2006, $341 thousand in 2005, and $290 thousand in 2004. As noted under Note 2, the plan has been changed for new hires effective January 1, 2007.

Non-Qualified Retirement Plan

We began participating in a District level non-qualified retirement plan during 2004. This plan is a benefit restoration plan which provides retirement benefits above the IRS compensation limit to certain highly compensated eligible employees. We recorded $47 thousand of nonqualified pension expense for the year ended December 31, 2006, $32 thousand for the year ended December 31, 2005, and $32 thousand for the year ended December 31, 2004. While benefit obligation information is not available for our association individually, the District level benefit obligation at December 31, 2006 was $6.5 million.

NOTE 11: FINANCIAL ASSISTANCE

The Farm Credit Act provided for capital assistance to Farm Credit System institutions experiencing severe financial stress through the issuance by the Farm Credit System Financial Assistance Corporation of U.S. Treasury-guaranteed 15-year bonds. Bonds totaling $1.261 billion of principal were originally issued, all prior to October 1, 1992. The last remaining Farm Credit System Financial Assistance Corporation bonds matured and were repaid in June 2005.

NOTE 12: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our 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 Farm Credit Administration 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. In our opinion, none of these loans outstanding at December 31, 2006 involved more than a normal risk of collectibility.

The following table represents information on loans and leases to related parties as determined at each year end (in thousands):

	2006	2005	2004
As of December 31:			
Total related party loans and leases	**$8,971**	$10,520	$7,629
For the year ended December 31:			
Advances to related parties	**$3,453**	$4,537	$3,996
Repayments by related parties	**4,771**	3,488	3,931

The composition of related parties can be different each year end due primarily to changes in the makeup of the Board of Directors. Advances and repayments to related parties at the end of each year are included in the preceding chart.

NOTE 13: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk not recognized in the financial statements. 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. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2006, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $429.2 million. Additionally, we had $19.4 million of issued standby letters of credit as of December 31, 2006.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted market prices are generally not available for our financial instruments. Accordingly, we base fair values on:

- judgments regarding future expected losses,
- current economic conditions,
- risk characteristics of various financial instruments, and
- other factors.

These estimates involve uncertainties and matters of judgment and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of our investment in AgriBank, FCB is not practical because the stock is not traded. As discussed in Note 2 and Note 5, the investment is a requirement of borrowing from AgriBank, FCB.

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

Loans: The estimate of the fair value of loan assets is determined by discounting the expected future cash flows using current interest rates. Current interest rates are estimated based on similar loans made or loans repriced to borrowers with similar credit risk. This methodology is used because no active market exists for the vast majority of these loans. Since the discount rates are based upon internal pricing mechanisms and other estimates, we cannot determine whether the fair values presented would equal 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 Farm Credit System borrowers, could render our portfolio unmarketable outside the Farm Credit System.

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

Fair value of nonaccrual loans, current as to principal and interest, are discounted with appropriately higher rates, reflecting the uncertainty of continued cash flows. We assume that for noncurrent nonaccrual loans, collection will result only from the sale of the underlying collateral. Fair value is estimated to equal the total 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. We use the legal obligation if the net realizable value of the collateral exceeds the legal obligation for a particular loan.

Note Payable to AgriBank, FCB: Estimating the fair value of the note payable to AgriBank, FCB is determined by segregating the note into pricing pools according to the types and terms of the underlying loans funded. We discount the estimated cash flows from these pools using the current rate charged by AgriBank, FCB for additional borrowings with similar characteristics.

Commitments to extend credit and letters of credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments.

The estimated fair value of our financial instruments is as follows (in thousands):

As of December 31, 2006	**Carrying Amount**	**Estimated Fair Value**
Financial assets:		
Loans, net	**$1,610,484**	**$1,609,685**
Financial liabilities:		
Note payable to AgriBank, FCB	**$1,355,013**	**$1,353,576**
Unrecognized financial instruments:		
Commitments to extend credit and letters of credit		**($512)**

As of December 31, 2005	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	$1,415,388	$1,412,091
Financial liabilities:		
Note payable to AgriBank, FCB	$1,178,099	$1,174,090
Unrecognized financial instruments:		
Commitments to extend credit and letters of credit		($430)

As of December 31, 2004	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	$1,347,084	$1,328,564
Financial liabilities:		
Note payable to AgriBank, FCB	$1,123,968	$1,112,886
Unrecognized financial instruments:		
Commitments to extend credit and letters of credit		($298)

NOTE 15: FARM CREDIT SYSTEM FINANCIAL ASSISTANCE CORPORATION STOCK SALE

In December 2006, we sold to AgriBank, FCB all Farm Credit System Financial Assistance Corporation stock held by us at 71% of the face value of that stock. Legislation in 1987 required us to purchase this stock to capitalize the Farm Credit System Financial Assistance Corporation. Due to the uncertainty regarding the realization of the asset, the stock had previously been written off and carried at zero book value. The sale resulted in a gain of $1.6 million in the fourth quarter of 2006.

NOTE 16: QUARTERLY FINANCIAL INFORMATION (Unaudited)

Quarterly consolidated results of operations for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 follow (in thousands):

2006	**First**	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$9,109**	**$9,228**	**$9,406**	**$9,750**	**$37,493**
(Reversal of) provision for loan losses	**--**	**(40)**	**(110)**	**10**	**(140)**
Patronage income	**703**	**722**	**761**	**1,651**	**3,837**
Other expense, net	**4,480**	**4,309**	**4,545**	**3,355**	**16,689**
Provision for income taxes	**52**	**27**	**223**	**832**	**1,134**
Net income	**$5,280**	**$5,654**	**$5,509**	**$7,204**	**$23,647**

2005	First	Second	Third	Fourth	Total
Net interest income	$8,645	$8,861	$8,936	$9,041	$35,483
(Reversal of) provision for loan losses	--	--	(1,000)	(275)	(1,275)
Patronage income	690	690	711	1,489	3,580
Other expense, net	3,982	3,769	4,148	4,119	16,018
Provision for income taxes	142	155	185	395	877
Net income	$5,211	$5,627	$6,314	$6,291	$23,443

2004	First	Second	Third	Fourth	Total
Net interest income	$8,035	$8,610	$8,363	$8,768	$33,776
Provision for (reversal of) loan losses	--	7	2	(20,702)	(20,693)
Patronage income	666	680	702	1,068	3,116
Other expense, net	3,644	3,613	3,720	3,833	14,810
Provision for income taxes	81	31	143	2,688	2,943
Net income	$4,976	$5,639	$5,200	$24,017	$39,832

The (reversal of) provision for loan losses in 2004 includes a significant reversal resulting from a refined methodology, as discussed in Note 4.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Farm Credit Services of Illinois, ACA

(Unaudited)

DESCRIPTION OF BUSINESS

General information regarding the business is discussed in Note 1 of this annual report.

The description of significant business developments, if any, is discussed in the “Management's Discussion and Analysis" portion of this annual report.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding our properties:

Location	Description	Usage	Lease expiration date	Monthly lease fee
Mt. Vernon	Leased	Processing Ctr.	7/31/2011	$1,853
Albion	Owned	Branch		
Belleville	Owned	Branch		
Benton	Leased	Branch	2/28/2009	675
Charleston	Leased	Branch	6/30/2009	1,085
Effingham	Owned	Branch		
Harrisburg	Owned	Branch		
Highland	Leased	Branch	12/31/2007	1,750
Lawrenceville	Owned	Branch		
Nashville	Leased	Branch	6/30/2008	813
Paris	Owned	Branch		
Red Bud	Leased	Branch	1/31/2008	1,040
Shelbyville	Owned	Branch		
Vandalia	Leased	Branch	3/31/2009	650
Champaign	Owned	Headqtrs/Branch		
Carlinville	Owned	Branch		
Decatur	Leased	Branch	6/30/2011	3,750
Hillsboro	Leased	Branch	2/28/2010	575
Jacksonville	Owned	Branch		
Jerseyville	Leased	Branch	3/31/2013	2,066
Lincoln	Owned	Branch		
Springfield	Owned	Branch		
Taylorville	Owned	Branch		
Watseka	Owned	Branch		

LEGAL PROCEEDINGS

Information regarding legal proceedings is discussed in Note 13 of this annual report. We were not subject to any enforcement actions at December 31, 2006.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is discussed in Note 8 of this annual report.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is discussed in Note 7 and Note 13 of this annual report.

SELECTED FINANCIAL DATA

The "Consolidated Five-Year Summary of Selected Financial Data” is presented at the beginning of this annual report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the "Management's Discussion and Analysis” portion of this annual report.

BOARD OF DIRECTORS

Information regarding directors who served as of December 31, 2006, including business experience in the last five years and any other business interest where a director serves on the board of directors or as a senior officer follows:

Lance Beery, Chairperson of the Board, is a self-employed grain and livestock farmer. His term on the board expires in 2008.

Kent Brinkmann, is a self-employed grain farmer. His term on the board expires in 2007.

William David Champion, Jr., Appointed Director, is the president and CEO of the Eastern Illini Electric Cooperative in Paxton, IL. He serves as a director of the Soyland Power Cooperative, Inc. an electricity wholesaler, which is involved in the promotion of electric cooperatives. His term on the board expires in 2007.

Mike Carls, is a self-employed grain farmer. He serves on the boards of Menard Electric Cooperative, a utility distribution co-op in Petersburg, IL and Soyland Electric Cooperative, a generation and transmission co-op in Jacksonville, IL. He also serves as Vice-President of the Cass County Fair Board in Virginia, IL. His term on the board expires in 2008.

Jack E. Crumrin, is a self-employed grain and livestock farmer. His term on the board expires in 2007.

Dale Crawford, is a self-employed grain farmer. He serves on the Moultrie Co. Farm Bureau Board in Sullivan, IL and is a director with the Illinois Soybean Association in Bloomington, IL. His term expires in 2008.

J. Dale Edwards, is a self-employed grain and livestock farmer and substitute teacher. He serves as a director for the Sangamon County Fair. In addition, he is the clerk for the Laneville township and is the tax district assessor for Illiopolis/Laneville. His term on the board expires on 2009.

Dennis Frey, is a self-employed grain farmer. His term on the board expires in 2008.

Dr. Kim Harris, Appointed 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 2008.

Jack Hastings, is a self employed grain farmer. His term expires in 2009.

Larry Hasheider, is a self-employed grain and livestock farmer. His term on the board expires in 2008.

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 2009.

Robert Pharis, is a self-employed grain and livestock farmer and township road commissioner. His term on the board expires in 2007.

Russell Roosevelt, is a self-employed grain and livestock farmer. His term on the board expires in 2007.

John Schable, is a self-employed grain farmer. His term on the board expires in 2009.

Donald Sievers, is a self-employed grain and livestock farmer and seed dealer. His term on the board expires in 2009.

Larry Thomas, is a self-employed grain farmer. He serves as vice president of the Mechanicsburg Farmers Grain Co-op in Mechanicsburg, IL. He is also president of the Fire Protection District in Edinburg, IL. His term on the board expires in 2007.

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of $400 per day. Board members also receive a $300 technology stipend per quarter in addition to a $1,000 per quarter retainer fee except for the chairman and vice chairman, whose retainer fee was $1,500 per quarter.

Information regarding compensation for each director who served during 2006 follows:

	Number of Days Served		
	Board Meetings	Other Official Activities	Total Compensation Paid in 2006
Beery, Lance	12	18	$22,140
Brinkmann, Kent D.	12	9	13,622
Champion, David	11	10	13,622
Carls, Mike	11	9.5	13,422
Crumrin, Jack	12	9	13,896
Crawford, Dale	12	16.5	16,622
Edwards, Dale	11	8	13,028
Frey, Dennis	11	6	12,022
Harris, Kim	10	4	10,822
Hastings, Jack	12	8	13,222
Hasheider, Larry	12	10.5	14,336
Miller, Mark	12	8	13,222
Pharis, Robert	12	8	13,413
Roosevelt, Russell	12	8	13,474
Schable, John	12	20	20,788
Sievers, Donald	12	3	11,222
Thomas, Larry	12	6	12,422
Total	198	161.5	$241,295

No director received additional compensation for service on a board committee.

SENIOR OFFICERS

The senior officers 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

All of the senior officers have held their current positions for the past five years. Other business interests where a senior officer served as a director or senior officer include: Donald J. Olson, Chief Credit Officer, also is the president of Breakers East Homeowners Association.

The current Chief Executive Officer (CEO), Ronald Frenn, will retire on July 5, 2007. On January 10, 2007, the Board of Directors announced the selection of David Owens, current Chief Financial Officer, as the new CEO effective July 6, 2007.

A summary of compensation paid to the most highly compensated individuals including the senior officers previously noted follows (in thousands):

Name of individual	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
Ronald W. Frenn	2006	$329	$138	$12	$ --	$479
	2005	311	119	10	--	440
	2004	285	119	9	--	413
Aggregate number of Individuals:						
(does not include CEO compensation)						
Five	2006	$629	$287	$4	$ --	$920
Four	2005	514	140	3	--	657
Four	2004	494	166	2	--	662

Shareholders may request information on the compensation paid during 2006 to the individuals listed in the preceding table.

Senior officer incentives are paid annually based on performance criteria established by the Board of Directors. The criteria include return on assets, loan volume, credit quality, personal objectives and performance ratings. We calculate the incentives after the end of the plan year (the plan year is the calendar year). We pay out the incentives within 90 days of year end.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is discussed in Note 12 of this annual report.

TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at 2101 West Park Court, Post Office Box 3849, Champaign, Illinois 61826, (217) 352-1378.

The total directors' travel, subsistence and other related expenses were $91 thousand in 2006, $79 thousand in 2005, and $71 thousand in 2004.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No material events occurred 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, 2007 or at any time during 2006.

SHAREHOLDER PRIVACY

Farm Credit Administration Regulations protect shareholders' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our association or our shareholders not normally contained in published reports or press releases.

RELATIONSHIP WITH INDEPENDENT AUDITORS

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

FINANCIAL STATEMENTS

The "Report of Management", "Report of Audit Committee", "Report of Independent Auditors," "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the annual report.

CREDIT AND SERVICES TO YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Information regarding credit and services to young, beginning, and small farmers and ranchers and producers or harvesters of aquatic products is discussed in the "Management's Discussion and Analysis" portion of this annual report.

EQUAL EMPLOYMENT OPPORTUNITY

We are an equal opportunity employer. It is our 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. We comply with all state and local equal employment opportunity regulations. We conduct all personnel decisions and processes relating to our employees and job applicants in an environment free of discrimination and harassment.

Farm Credit Services of Illinois, ACA

Funds Held Program

The Association offers 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.

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