

AGRIBANK BOARD OF DIRECTORS AUDIT COMMITTEE CHARTER

Audit Committee Purposes: The Audit Committee (“Committee”) is appointed by the Board to assist the Board in fulfilling its oversight responsibilities for:

- Financial reporting;
- System of internal control;
- Audit processes and procedures; and
- Processes and procedures for monitoring compliance with laws, regulations and the standards of conduct.

Audit Committee Authorities:

As delegated by the Board, the Committee has the authority:

- To determine the appointment, compensation, retention and oversight of the work of the external auditor, including resolution of disagreements between Bank Management and the external auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work;
- To call for special and/or investigative audits;
- For unrestricted access to records, procedures, activities and personnel relevant and necessary to the fulfillment of its responsibilities;
- To access and utilize a range of resources related to directing research and analysis, reviewing audit-related programs and/or practices, and to gaining access to other information needed to perform its duties, including appropriate and ongoing training; and
- To engage independent counsel and other advisors as it deems necessary to carry out its duties.

Committee Structure:

The Committee shall be comprised of no less than three members, each of whom must be a current member of the Board. Each member must be free from any relationship that, in the opinion of the Board, would interfere with the exercise of the Committee member’s independent judgment. The Chairperson of the Board will annually appoint the Committee members and Committee Chairperson and Committee Vice Chairperson as part of the reorganization of the Board. For good cause shown, the Committee may vote to remove the Committee Chairperson or Committee Vice Chairperson, or both, by a majority vote of the full Committee, and may select alternate leadership from among the membership of the Committee to serve for the remainder of the current term. The Committee Chairperson will serve as the main point of contact between the Committee, the Board, and Bank Management. The Committee reports only to the Board. A majority of Committee members shall constitute a quorum.

The Bank VP Internal Audit will functionally report to the Committee and the Board and administratively report to a sufficient level within the Bank that allows the internal audit activity to fulfill its responsibilities. The external auditor will report directly to the Committee and is ultimately accountable to the Committee and the Board.

Committee Member Qualifications:

All Committee members shall be knowledgeable in at least one of the following areas: public and corporate finance, financial reporting and disclosure, or accounting procedures. Also, at least one member of the Committee must be a “financial expert.” For purposes of this Charter, a “financial expert” is defined as someone who has either education or experience in at least one of the following areas: accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the Bank’s financial statements.

Committee Meetings:

The Committee will:

- Generally meet quarterly, or at any such time as determined necessary by the Committee Chairperson, or as directed by the Board;
- Take minutes of its meetings (“Minutes”) which will also include:
 - Attendance;
 - Review of Bank financial policies, procedures and reports, with agreement or disagreement with the item(s) under review; and
 - Any items requiring action by the Board (“Action Items”);
- Make regular reports regarding its activities to the Board, including all Action Items;
- Maintain records (“Committee Records”) of materials reviewed by the Committee;
- Make Committee Records available for review by the Committee;
- Provide the Board with copies of Committee Records; and
- Provide the Board with copies of Minutes.

The Committee meetings may:

- Be called by the Committee Chairperson;
- Be conducted in person, by conference call, or by other electronic and/or digital means which allows each member to simultaneously interact with other members; and
- As it deems necessary, meet in executive session.

Key Committee Duties:

Financial Statements Duties

- Review and determine the adequacy of Bank's accounting policies and practices by conducting discussions with Internal Audit, the external auditor, and Bank Management;
- Require periodic reporting on current regulatory, accounting, or reporting developments and any significant accounting changes from Bank Management and the external auditor;
- Receive from the external auditor, a report of Bank's annual audited financial statements, which should include the following, but not limited to:
 - All critical accounting principles and practices used;
 - All material alternative accounting treatments of financial information, including significant and unusual transactions;
 - Other material written communications between the external auditor and Bank Management, such as Bank Management letters, schedule of unadjusted differences, reports on observations and recommendations on internal controls;
 - Listing of adjustments and reclassifications; and
 - External auditor's independence letter.
- Review with Bank Management and the external auditor the effect of off-balance sheet arrangements which could have current or future effect on financial conditions, revenues, expenses, results of operations, liquidity, capital expenditures, capital resources, earnings press releases, and other reports;
- Review with Bank Management or others required to make annual and/or quarterly certifications and/or reports to the Farm Credit Administration ("FCA") relating to compliance with the Disclosure Program, including:
 - All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
 - Any fraud, whether or not material that involves Bank Management or other employees who have a significant role in the Bank's internal controls.
- Review Bank Management's certification of the effectiveness of controls related to financial reporting;
- Review and approve the Bank's quarterly and annual financial statements prior to issuance;
- Require Bank Management to discuss any significant changes to the Bank's accounting principles with the Committee, and when necessary, the Committee Chairperson may represent the entire Committee for purposes of such discussions;
- Review and approve, prior to issuance, both quarterly and annual press releases of financial results, significant and material event disclosures, and any interim press releases that disclose a matter that would be considered material to the financial results;
- Annually prepare a report to be included in the Bank's annual report to shareholders, by which the Committee confirms that it reviewed and discussed the Bank's annual financial statements with Bank Management, and also reviewed and discussed such matters as required with the external auditor; and
- Oversee Bank Management's preparation of the annual report to shareholders; review the impact of any significant accounting and auditing developments; review accounting policy changes relating to preparation of financial statements; and review the Bank's annual and quarterly reports prior to publication.

External Auditor Related Duties

- Review and oversee the performance of the external auditor;
- Exercise final approval on the appointment or discharge of the external auditor;
- Ensure that the qualified external auditor who is engaged to conduct the Bank's audit does not use a partner, concurring partner, or lead member in its Bank audit engagement team who was a director, officer or employee of the Bank within the past year;
- Ensure that the lead and reviewing partners of the qualified public accountant acting as the Bank's external auditor have not conducted the Bank external audit for more than 5 consecutive years. The lead and reviewing partners of the qualified public accountant which are acting as the external auditor, and which are assigned to conduct the Bank's external audit, must be rotated out of the audit team for 5 years. At the end of 5 years, the Bank may again engage the audit services of those lead and reviewing audit partners;
- Meet with the external auditor to review and approve external auditor annual audit plans and receive regular external auditor reports based on their audit activity;
- Review and periodically discuss with Bank Management and the external auditor their respective disclosure controls and procedures;

- Review, monitor, and confirm that Bank Management is not placing restrictions on the external auditor;
- Pre-approve, as appropriate, any allowable non-audit services to be provided to the Bank by the external auditor;
- At least annually, receive a report from the external auditor of any non-audit engagements with district associations and receive written certification on an annual basis that they are not providing any prohibited non-audit services to the Bank;
- Review the external auditor's annual engagement letter with the Controller;
- At least on an annual basis, meet in executive session with the external auditor; and
- Ensure the Bank does not employ a partner, concurring partner, or lead member of the Bank external audit engagement team within one year after the conclusion of the audit engagement.

Internal Audit Duties:

- Review, monitor, and confirm that Bank Management and the Board are not placing restrictions on the Internal Audit department;
- Obtain input from the VP Internal Audit's administrative manager regarding performance objectives and the performance evaluation of the VP Internal Audit;
- Annually review and approve the performance objectives and the performance evaluation of the VP Internal Audit;
- Annually discuss the performance evaluation results with the VP Internal Audit;
- Review and approve the VP Internal Audit's remuneration;
- Review and approve the appointment, reassignment, replacement or dismissal of the VP Internal Audit;
- Review and approve the Internal Audit department budget;
- Review and approve the audit plan developed and recommended by Internal Audit and approve any changes to the plan;
- Review Internal Audit's performance relative to its audit plan and other matters;
- Receive a report on Internal Audit's Quality Assurance and Improvement Program including an opinion on conformance to The Institute of Internal Auditors International Professional Practices Framework;
- At least annually, meet in executive session with the VP Internal Audit; and
- Review and approve the internal audit charter including the internal audit mandate.

Internal Controls Duties:

- Establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, financial reporting, accounting controls or auditing matters;
- Receive reports of complaints regarding accounting, financial reporting, internal controls or auditing matters;
- Determine the adequacy of internal controls, including the control environment, through a review of all audit reports issued by Internal Audit or the external auditor relating to the Bank's operations;
- Review the testing results of Bank Management's controls related to financial reporting;
- Understand the scope of Internal Audit's review of information technology area including security and controls;
- Review all FCA examination reports of the Bank and evaluate Bank Management's response to the reports;
- Review with the General Counsel, the program for monitoring compliance with the Standards of Conduct Regulations and review at least annually with Bank Management and the external and internal auditors, compliance with the Bank's Code of Ethics for officers and senior financial professionals;
- Review Bank Management's internal control report with the external auditor and Internal Audit; and
- Review and discuss with Bank Management, any significant findings by the external auditor or Internal Audit together with Bank Management's response to such findings.

Other Duties:

- Annually review the Audit Committee Charter and recommend to the Board any appropriate amendments to the Charter;
- Annually perform a self-assessment of the effectiveness of the Committee's activities;
- Meet with representatives of FCA as deemed necessary;
- Respond to any concerns identified by the System Audit Committee and conduct any audit committee activities that are necessary for the System Audit Committee to fulfill its chartered responsibilities; and
- Perform any other activities related to this Charter as requested by the Board.

Resources:

The Bank will provide appropriate funding as required by the Committee for payment of service fees to the external auditor, independent counsel, or other advisors to the Committee. A two-thirds majority vote of the full Board is required to override the Committee's decision to utilize such resources.

The Committee also has the authority to access and utilize a range of resources including, but not limited to:

- Seeking any information, analysis, and recommendations as needed or requested from the Bank's Internal Audit staff;
- Seeking any information it requires from the CEO and other members of Bank Management, as requested; and
- Retaining outside legal counsel and other professional consultants, external advisors, and other resources as necessary or appropriate to advise or assist in the performance of the Committee's duties.

Document Retention:

The Committee will retain Minutes permanently as required by the Bank's records retention schedule.