

Western AgCredit
AUDIT COMMITTEE CHARTER

PURPOSE

The Board of Directors (Board) of Western AgCredit (Association) has created a committee of directors to be known as the Audit Committee (Committee) for the purpose of assisting the Board in fulfilling its fiduciary and oversight responsibilities.

The Mission of the Committee is to review financial statements and significant accounting policies, oversee financial reporting regarding its disclosure to shareholders, and to U.S. AgBank, FCB (AgBank), for both AgBank District reporting and reporting to the Federal Farm Credit Banks Funding Corporation (Funding Corporation) for disclosures to investors, oversee the audit activities of the independent auditor; and monitor internal controls, including those relating to compliance with laws and regulations, policies, the standards of conduct, and public responsibilities. This Committee is established to comply with FCA Regulation 620.30. To this end, the Committee will:

- Oversee and appraise the quality of the audit effort of the Association's internal audit function, Association's external audit function including those of its independent accountants;
- Oversee the financial reporting regarding its disclosure to shareholders.
- Maintain, by scheduling regular meetings, open lines of communications among the Board, its internal audit function and its independent accountants to exchange views and information as well as confirm their respective authority and responsibilities;
- Serve as an independent and objective party to review the financial information presented by Management to stockholders, regulators, and the general public; and
- Determine the adequacy of the Association's administrative, operating, and internal accounting controls and evaluate adherence thereto.
- Oversee the development of the Enterprise Risk Management Plan.

COMPOSITION

The Committee will consist of at least three members of the Board including all directors designated by the Board to be financial experts, who meet the independence criteria outlined in the Director Independence Criteria Policy and who are designated by the Board to be independent members. Annually, the Board will elect all Committee members and will designate the Committee Chairperson and Vice Chairperson. The Board upon recommendation of the Committee may remove any Committee member at any time. The Board Chairperson shall serve as an ex-officio, non-voting member of the Committee. Each Committee member will be independent from Management and be knowledgeable of and understand the Association's balance sheets, income statements, and cash flow statements. The majority of the members of the Committee constitute a quorum. Voting on Committee matters shall be on a one member-one vote basis. When a quorum is present, the vote of a majority of the Committee members present shall

constitute the action or decision of the Committee. A newly elected director whose predecessor served on the Audit Committee will assume that position on the Audit Committee until the Board assigns all directors to specific Committee assignments. Any Board member may attend Committee Meetings.

QUALIFICATIONS

Members of the Committee should have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements or be able to do so within a reasonable period of time after appointment to the Committee. Each member shall be knowledgeable in public and corporate finance, and in financial reporting and disclosure practices, or accounting procedures. At least one member of the Committee must be an independent member who is designated by the Board to be a financial expert recognized as having education or experience in 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 institution's financial statements. If the Association hires a financial advisor as permitted under FCA regulations, that advisor will also serve as an advisor to the Audit Committee. This includes being independent of Management of any Farm Credit System (System) entity and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member.

AUTHORITY

The Board of Directors, through the adoption of this Charter, delegates to the Committee those authorities necessary to accomplish the responsibilities of the Committee as set forth in this Charter.

MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. Meetings can be called by the Chairman of the Board, the Chairman of the Committee, the Chief Executive Officer, or Credit or Fiscal Internal Auditor. The Committee will invite members of Management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors, and Management in executive sessions. Meeting agendas will be prepared in consultation with the Chair or Vice Chair and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved by the Committee. Minutes will include attendance and will be retained for at least 3 fiscal years.

RESPONSIBILITIES

For the purpose of achieving the Committee's objectives, the Committee is responsible for the following activities. These responsibilities will be discharged through the assistance of the credit and fiscal internal auditor, independent auditors, external auditors and appropriate Association Management. The Committee shall have the authority to take corrective actions and/or conduct or authorize special or investigative audits into matters within the Committee's scope of responsibilities. The Committee shall have access to all books, records, facilities, and personnel of the Association. Unless

otherwise authorized by amendment to this Charter, the Committee shall not delegate any of its authority to any subcommittee.

Financial Statements

- Review significant accounting and reporting changes and issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements related to financial statement preparation, and understand their impact on the financial statements.
- Review the quarterly and annual financial statements before release, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. Statements will be provided prior to release to each Committee member. Committee members will have a specified and reasonable period of time to raise questions or call for a meeting prior to certification by the Chairman and release of these reports.
- Oversee Management's preparation of each quarterly or annual report.
- Review with Management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Periodically, but at least annually, review and discuss with Management and the external auditor, disclosure controls and procedures.
- Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review and assess the impact on and the financial reporting process of any significant accounting or auditing developments or any accounting policy changes relating to the preparation of financial statements.
- Prior to the release of annual reports, review a report on disclosures made by the Chief Executive Officer, Chief Financial Officer, Chief Credit Officer during their certification process about any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Association's ability to record, process, summarize and report financial information, and any fraud, whether or not material, that involves Management or other employees who have a significant role in internal controls.
- Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other required information. The report will include a disclosure that the Committee has reviewed and discussed the audited financial statements with management and discussed matters required to be discussed by Statement on Auditing Standards No. 114, (The Auditor's Communication with Those Charged with Governance) with the independent auditors. The report will also reflect that the Committee received written disclosures and a letter from the independent auditors in accordance with independence Standards Board Standard No. 1 (Independence Discussion with

Audit Committees), and discussed with the independent auditors their independence from AgBank.

- Prior to the release of annual audited financial statements, review with Management and the external auditors the results of the audits including any difficulties encountered and receive reports regarding: (a) all critical accounting policies and practices used by the Association; (b) all material alternative accounting treatments of financial information within Generally Accepted Accounting Principals (GAAP) that have been discussed with Management, including the ramifications of the use of the alternative treatments and disclosures and the treatment preferred by the external auditor; and (c) other material written communications between the external auditor and Management, such as any Management letter and Management's response to the letter, schedule of unadjusted differences, reports on observations and recommendations on internal controls, a listing of adjustments and reclassifications not recorded, and the external auditor's independence letter.
- Review each quarterly report prior to its dissemination to the public, and consider whether they are complete, consistent with information known to the Committee, and reflect appropriate accounting principals. Notification of Committee Meetings and draft reports will be provided to each Board member prior to release. Quarterly reports will be reviewed and discussed in a Committee meeting that includes Management.
- Review each annual report prior to its dissemination to the public, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. Notification of Committee Meetings and draft reports will be provided to each Board member. Annual reports will be reviewed and discussed in a Committee Meeting that includes Management. If deemed appropriate, after review and discussion, recommend to the Board approval of the annual report. Board action is required for final approval and release of annual reports.
- Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other required information. The report will include a disclosure that the Committee has reviewed and discussed the audited financial statements with Management.

Internal Control

- Consider the effectiveness of the Association's internal control environment related to the preparation of annual and interim financial reporting, including information technology security and control, and those controls relating to compliance with applicable laws and regulations.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.

- Evaluate the adequacy of internal control systems by reviewing written reports from the internal and external auditors and regulators along with Management's response and actions to correct any noted deficiencies.
- Identify and direct any special projects or investigations deemed necessary.
- Annually review and recommend to the Board any needed changes to the Code of Ethics and Standards of Conduct Policies.

Internal Audit

- Review the audit plans developed and recommended by the credit or fiscal internal auditor. The internal audit plan must assure that the internal audit function is subject to the Committee review and supervision.
- Review and approve the budget, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations on the internal audit function.
- Ensure that internal auditors utilize adequate scopes of work and have full access to all information needed.
- Prior approve the appointment, replacement, dismissal, compensation and bonus of the credit and fiscal internal auditor. The credit and fiscal internal auditor will report directly to the Board and Committee.
- Review all reports and findings resulting from the internal audit function's independent evaluation of the systems of internal control and continuing operations.
- On a regular basis, meet separately with the credit and fiscal internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed in an executive session.

External Audit

- Ensure that an audit is conducted in compliance with statutory requirements.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval of the compensation, appointment or discharge, and oversight and review of the work of the auditors who shall report directly to the Committee for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Association.
- Prior approval of all non-audit services provided by the external auditors. The external auditor is prohibited from providing bookkeeping, valuation services,

financial information system design, actuarial services, internal audit outsourcing services, Management or human resource functions, legal and expert services unrelated to the audit, and advocating the institution's interests in litigation, regulatory or administrative investigations or proceedings.

- Ensure there are no unjustified restrictions or limitations on the external audit.
- Review with Management and the external auditors the results of the audit, including any difficulties encountered.
- Review any Management letters issued by the external auditors. Meet with external auditors as circumstances warrant.
- Review any material weakness in internal accounting control structure identified as a reportable condition by the external auditor, and recommend and/or monitor, as deemed necessary by the Committee, the correction of any such deficiency.
- On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- Review and confirm the independence of the external auditor by obtaining statements from the auditors on relationship between the auditors and the Association, including non-audit services, and discussing the relationships with the auditors, including matters specifically required in Statement of Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance) and Part 621 of Farm Credit Administration regulations.
- Receive written disclosures and a letter from the independent auditors in accordance with Independence Standards Board Standard No.1 (Independent Discussion with Audit Committees) and discuss with the independent auditors their independence from the Association.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review all examination and other reports from regulators and any auditor observations and monitor Management's response to any findings included in these reports.
- Review the process for communicating the standards of conduct to Association personnel, and for monitoring compliance therewith.
- Obtain regular updates from Management and Association legal counsel regarding compliance matters.
- Review, on at least an annual basis, with Management, the external auditor, and internal auditor(s), compliance with Codes of Ethics for Board members, the Chief Executive Officer, the Chief Credit Officer, and the Chief Financial Officer.

Reporting Responsibilities

- The Committee Chairman or designee will report on the activities of the Committee to the full Board.
- Minutes of the Committee meetings will be provided to the full Board.
- Perform an annual self-evaluation of the Committee's performance and annually reassess the adequacy of and, if appropriate, propose to the Board any desired changes in the Committee's Charter.
- The Committee will facilitate an open avenue of communication between internal audit, the external auditors, and the Board.

Complaints/Whistle Blower

- The Committee will make available the opportunity for individuals to submit complaints or to raise concerns relating to accounting, internal accounting controls, or auditing matters directly to the Committee. To do so, use the contact information below or use the "Whistle Blower" form on the bottom of the Western AgCredit website (www.westernagcredit.com). The submission should be addressed to the Chairman of the Committee, unless the issue involves the Committee Chairman; which would dictate the complaint be forwarded to the Board Chairman. Notice to staff or the general public of this availability will be gained via the posting of the Audit Committee Charter on the Association's website. This program may also be referred to as a Whistleblower Program.
- The complaints/concerns can be made either confidential/anonymous, or on an identified basis. In either instance, the Association will not take adverse action on the individual(s) who in good faith raise issues to the Committee.
- Records of the complaint and corresponding response/action will be maintained by the Committee for a period of no less than three (3) years. The level/depth of the investigation and response to any complaint presented to the Committee will be at the sole discretion of the Committee. Publishing of these records will also be at the discretion of the Committee.
- In the event a person wants to make a general complaint concerning staff or operations of the Association, the person lodging the complaint should forward the complaint to either the Chief Executive Officer and/or to the Board Chairman using the "Complaints" form at the bottom of the Western AgCredit website (www.westernagcredit.com). Complaints covered in this section are different from those contained in the Whistle Blower sections listed above.

Resources

The Committee shall have the authority to engage independent counsel and other advisors as the Committee deems necessary to carry out its duties, with funding to be provided by the Association, as determined by the Committee for: (a) compensating any accounting firm engaged for the purposes of preparing or issuing an audit report or

performing other audit, review or attest services; (b) compensating independent counsel and/or other advisers engaged by the Committee; and (c) paying ordinary administrative expenses the Committee incurs in carrying out its duties. A two-thirds majority vote of the full Board of Directors is required to deny the Chairperson's request for resources.

AUDIT COMMITTEE MEMBERS

LaDell Eyre, Chair 1883 W Royal Hunte Dr, Ste. 201 Cedar City UT 84720 435.865.5866	Shirelle Heninger, Vice-Chair 68 South Main 3 rd FL SLC UT 84101 801.930.9457	Scott Wayment 5817 West 1400 North Ogden UT 84404 801.731.1531
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This Audit Committee Charter was reconfirmed by the Committee during their July 19, 2011 meeting, and is recorded as such in the minutes. This charter will be reviewed by the Committee at least annually.