



FEDERAL LAND BANK ASSOCIATION OF KINGSBURG, FLCA
2010 ANNUAL REPORT

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CHAIRMAN'S AND PRESIDENT'S MESSAGE

March 16, 2011

In reading this year's annual report you will discover some changes from prior year's trends. While earnings remained strong and capital levels grew, total loan volume and overall credit quality declined slightly.

The slowdown in the overall economy has provided a level of uncertainty within the agricultural community as well. The decline in our overall loan volume for our Association would not be considered unusual given the reduction in loan growth for the entire Farm Credit system for 2010. In addition, based on the stress within the dairy sector over the past two years the slight decline in Association overall credit quality is to be expected.

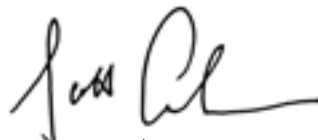
Like farming, the agricultural lending business is not without risks. Fortunately we have not experienced a loan loss for several years and our overall financial position continues to improve with permanent capital now exceeding our optimum level of 15%.

Interest rates throughout the year remained at near historic lows. Our average interest rate dropped slightly on overall loan volume to 4.52%. These low rates can not continue forever and many economists believe they may begin to increase by the end of 2011. Should you wish to discuss any fixed rate option available to you please give us a call.

We count it a privilege to serve you and consider you doing business with us a high honor given the choices you have for your agricultural mortgage financing needs. Should you ever have any questions or concerns please stop by our office in Hanford or Kingsburg.



James L. Oliver
Chairman of the Board



Scott Anderson
President & CEO

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in Thousands)	December 31				
	2010	2009	2008	2007	2006
Statement of Condition Data					
Loans	\$600,288	\$611,724	\$552,394	\$469,940	\$439,924
Less allowance for loan losses	925	600	220	195	195
Net loans	599,363	611,124	552,174	469,745	439,729
Investment in U.S. AgBank, FCB	14,226	13,838	12,063	12,063	12,063
Other property owned	-	-	-	-	-
Other assets	6,144	6,471	7,223	8,709	8,980
Total assets	\$619,733	\$631,433	\$571,460	\$490,517	\$460,772
Obligations with maturities of one year or less	\$507,881	\$528,803	\$475,295	\$399,149	\$378,610
Obligations with maturities longer than one year	1,697	2,211	1,998	2,386	493
Total liabilities	509,578	531,014	477,293	401,535	379,103
Capital stock and participation certificates	1,212	1,239	1,192	1,162	1,190
Unallocated retained earnings	108,943	99,180	92,975	87,820	80,623
Accumulated other comprehensive income/(loss)	-	-	-	-	(144)
Total shareholders' equity	110,155	100,419	94,167	88,982	81,669
Total liabilities and shareholders' equity	\$619,733	\$631,433	\$571,460	\$490,517	\$460,772
For the Year Ended December 31					
Statement of Income Data					
	2010	2009	2008	2007	2006
Net interest income	\$15,290	\$14,179	\$10,838	\$11,666	\$10,910
Patronage distribution from U.S. AgBank, FCB	419	4	1,238	1,794	1,515
Provision for loan losses/(Loan loss reversal)	325	380	25	-	(465)
Noninterest expense, net	3,121	4,398	3,896	3,763	3,886
Net income	\$12,263	\$9,405	\$8,155	\$9,697	\$9,004
Key Financial Ratios					
For the Year					
Return on average assets	1.95%	1.56%	1.55%	2.01%	2.00%
Return on average shareholders' equity	11.72%	9.80%	9.01%	11.48%	11.58%
Net interest income as a percentage of average earning assets	2.53%	2.44%	2.16%	2.55%	2.56%
At Year End					
Shareholders' equity as a percentage of total assets	17.77%	15.90%	16.48%	18.14%	17.72%
Debt as a ratio to shareholders' equity	4.63:1	5.29:1	5.07:1	4.51:1	4.64:1
Allowance for loan losses as a percentage of loans	0.15%	0.10%	0.04%	0.04%	0.04%
Permanent capital ratio	15.04%	13.74%	14.43%	15.56%	15.38%
Total surplus ratio	14.85%	13.54%	14.22%	15.32%	15.11%
Core surplus ratio	14.85%	13.54%	14.22%	15.32%	15.11%
Net Income Distribution					
Cash patronage distribution paid	\$2,500	\$3,200	\$3,000	\$2,500	\$1,500

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion summarizes the financial position and results of operations of Federal Land Bank Association of Kingsburg, FLCA for the year ended December 31, 2010. Comparisons with prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that have impacted, or are reasonably likely to impact our financial condition and results of operations. You should read these comments along with the accompanying financial statements, footnotes and other sections of this report. The accompanying financial statements were prepared under the oversight of our Audit Committee. The Management's Discussion and Analysis includes the following sections:

- Business Overview
- Economic Overview
- Loan Portfolio
- Credit Risk Management
- Results of Operations
- Liquidity
- Capital Resources
- Regulatory Matters
- Governance
- Forward-Looking Information
- Critical Accounting Policies and Estimates
- Customer Privacy

Our quarterly reports to shareholders are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. The reports may be obtained free of charge on our website, www.kflba.com, or upon request. We are located at 1580 Ellis Street, Kingsburg, California 93631 or may be contacted by calling (559) 897-5814.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

We are one of approximately 90 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 90 years. The System mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of

aquatic products and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions.

Our Structure and Focus

As a cooperative, we are owned by the members we serve. Our territory served extends across a diverse agricultural region of central California. The counties in our territory are listed in Note 1 of the accompanying financial statements. We make long-term real estate mortgage loans to farmers, ranchers, rural residents and agribusinesses. Additionally, we provide other related services to our borrowers, such as credit life insurance, lease placement and fee appraisals. Our success begins with our extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we provide to our borrowers.

We obtain the funding for our lending and operations from U.S. AgBank, FCB (AgBank). AgBank is a cooperative of which we are a member. AgBank, its related associations, and AgVantis, Inc. (AgVantis) are referred to as the District. We are materially affected by AgBank's financial condition and results of operations. The AgBank and AgBank District quarterly and annual reports are available free of charge by accessing AgBank's website, www.usagbank.com, or may be obtained at no charge by contacting us at 1580 Ellis Street, Kingsburg, California 93631 or calling (559) 897-5814. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

In November of 2010, the U.S. AgBank Board of Directors voted to pursue a merger with CoBank, another Farm Credit System Bank. The proposed merger is targeted to be effective on October 1, 2011. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

We purchase technology and other operational services from AgVantis, which is a technology service corporation. Our current Services Agreement with AgVantis expires on December 31, 2011. We are a shareholder in AgVantis, along with all other AgVantis customers. Farm Credit Foundations, a human resource

service provider for a number of Farm Credit institutions, provides our payroll and human resource services.

ECONOMIC OVERVIEW

For many years, agriculture experienced a sustained period of favorable economic conditions due to strong commodity prices, rising land values, and, to a lesser extent, government support and multi-peril insurance programs. Because of this overall prosperity, our financial results were positively impacted. Production agriculture, however, is a cyclical business that is heavily influenced by commodity prices. In the past 2 ½ years, conditions in the general economy and agricultural economy have been less favorable with the recent instability in the global markets and volatility in production costs. Particularly affected have been the dairy industry and certain tree fruit segments. The negative impact to us from these less favorable conditions is somewhat lessened by the generally strong financial condition of our agricultural borrowers. Some borrowers who are reliant on off-farm income sources have also been more adversely impacted due to the weakened general economy.

During 2010, economic conditions remained generally stable for most commodities in our territory. Milk prices improved over historically low levels from one year ago, but remain at less than optimum levels creating stress for dairy operations. Grape returns were generally good this season especially for raisins. Tree fruit returns were only fair with some peach growers experiencing poor returns. Land values remain fairly stable with some decreases in values for certain areas and commodities. Surface water supplies remain reduced due to legislative and regulatory caused factors. Air and water quality regulations still remain serious challenges for San Joaquin Valley agriculture.

LOAN PORTFOLIO

Total loan volume was \$600.3 million at December 31, 2010, a decrease of \$11.4 million, or 1.87%, from loans at December 31, 2009 of \$611.7 million, and an increase of \$47.9 million, or 8.67%, from loans at December 31, 2008 of \$552.4 million. The decrease in loans was due to reduced loan demand due to stressed general economic conditions and payments on existing loans. The types of loans outstanding at December 31 are reflected in the following table.

(dollars in thousands)	2010		2009		2008	
	Volume	Percent	Volume	Percent	Volume	Percent
Real estate mortgage loans	\$573,847	95.60%	\$578,717	94.50%	\$518,585	93.90%
Production and intermediate-term loans	2,806	0.50%	2,909	0.50%	1,710	0.30%
Agribusiness loans to:						
Process and marketing	988	0.10%	6,254	1.00%	6,690	1.20%
Farm related business	17,383	2.90%	18,356	3.00%	19,499	3.50%
Rural residential real estate loans	277	0.10%	294	0.10%	309	0.10%
Lease receivables	4,987	0.80%	5,194	0.90%	5,601	1.00%
Total	\$600,288	100.00%	\$611,724	100.00%	\$552,394	100.00%

Real estate mortgage volume decreased to \$573.8 million, compared with \$578.7 million at year-end 2009, primarily due to reduced loan demand and payments on existing loans. Some borrowers with cash reserves chose to pay down debt as the best use of excess cash due to very low available interest rates on cash deposits. Long-term mortgage loans are primarily used to purchase, refinance or improve real estate. These loans have maturities ranging from 5 to 40 years. Real estate mortgage loans are also made to rural homeowners. By federal regulation, a real estate mortgage loan must be secured by a first lien and may only be made in an amount up to 85% of the original appraised value of the property, or up to 97% of the appraised value, if the loan is guaranteed by certain state, federal, or other governmental agencies.

The production and intermediate-term volume decreased 0.5% to \$2.8 million compared with 2009 loan volume of \$2.9 million, where 100% of loan volume was purchased interests in loans.

Agribusiness loan volume decreased to \$18.4 million, compared with \$24.6 million at year-end 2009, primarily due to the payoff of our purchased interest in a loan.

Portfolio Diversification

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities, our loan portfolio is diversified by participations purchased and sold, geographic locations served and commodities financed, as illustrated in the following three tables.

We purchase participation interests in loans and leases from other System entities to generate additional earnings and diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System entities to reduce risk and comply with lending limits we have established.

Our volume of participations purchased and sold as of December 31 follows.

(dollars in thousands)	2010	2009	2008
Participations purchased	\$19,800	\$21,750	\$22,093
Participations sold	\$60,624	\$67,674	\$58,531

We have no loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests that are held in lieu of retaining a subordinated participation interest in the loans sold.

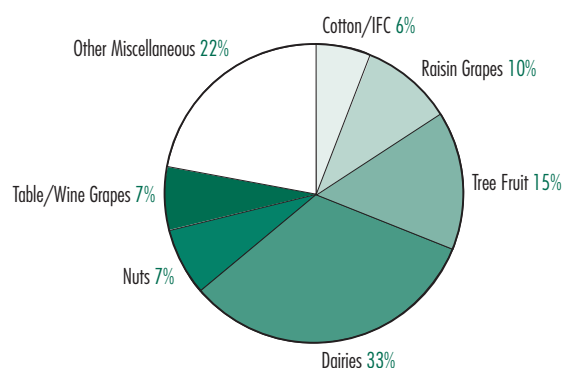
The geographic distribution of loans by county at December 31 follows. As previously mentioned we purchase loans outside our territory, which are included in Other in the following table.

	2010	2009	2008
Fresno	39.16%	40.99%	40.53%
Kings	27.24%	26.15%	27.75%
Tulare	24.98%	24.49%	24.78%
Other	8.62%	8.37%	6.94%
Total	100.00%	100.00%	100.00%

The following table shows the primary agricultural commodities produced by our borrowers based on the Standard Industrial Classification System (SIC) published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. A primary business category is assigned when the commodity or industry accounts for 50% or more of the total value of sales for a business; however, a large percentage of agricultural operations typically include more than one commodity.

SIC Category	2010	2009	2008
Dairy	32.98%	33.02%	31.42%
Tree fruit	14.52%	14.82%	15.27%
Raisin grapes	9.92%	8.92%	9.21%
Table/Wine grapes	7.34%	7.26%	6.61%
Nuts	7.29%	6.42%	6.69%
Cotton/IFC	6.45%	6.31%	7.20%
Other	21.50%	23.25%	23.60%
Total	100.00%	100.00%	100.00%

LOANS BY COMMODITY TYPE



Our loan portfolio contains a concentration of dairy loans. We also have a concentration in tree fruit; however, there is further diversification within this commodity. Repayment ability of our borrowers is closely related to the production and profitability of the commodities they raise. If a loan fails to perform, restructuring and/or other servicing alternatives are influenced by the underlying value of the collateral which is impacted by industry economics. Our future performance would be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities negatively affected and the magnitude and duration of the adverse agricultural conditions to our borrowers.

In addition to commodity diversification noted in the previous table, further diversification is also achieved from loans to rural residents and part-time farmers which typically derive most of their earnings from non-agricultural sources. These borrowers are less subject to agricultural cycles and would likely be more affected by weaknesses in the general economy.

The principal balance outstanding at December 31 for loans less than \$250 thousand accounted for 14.97% of loan volume and 62.47% of the number of loans. Credit risk on small loans, in many instances, may be reduced by non-farm income sources. The following table details loan principal by dollar size at December 31.

(dollars in thousands)	2010		2009		2008	
	Amount outstanding	Number of loans	Amount outstanding	Number of loans	Amount outstanding	Number of loans
\$1 - \$250	\$89,860	849	\$87,518	860	\$86,329	886
\$251 - \$500	82,945	234	84,381	242	81,141	227
\$501 - \$1,000	101,939	145	106,245	152	99,630	143
\$1,001 - \$5,000	231,809	118	238,712	116	225,985	111
\$5,001 - \$25,000	93,735	13	94,868	14	59,309	9
Total	\$600,288	1,359	\$611,724	1,384	\$552,394	1,376

Approximately 20.87% of our loan volume is attributable to ten borrowers. Due to their size, the loss of any of these loans or the failure of any of these loans to perform would adversely affect the portfolio and our future operating results.

The credit risk of some long-term real estate loans has been reduced by entering into agreements that provide long-term standby commitments by Federal Agricultural Mortgage Corporation (Farmer Mac) to purchase the loans in the event of default. The amount of loans subject to these Farmer Mac credit enhancements was \$38.9 million at December 31, 2010, \$49.0 million at December 31, 2009 and \$42.6 million at December 31, 2008. Included in other operating expenses were fees paid for these Farmer Mac commitments totaling \$177 thousand in 2010, \$182 thousand in 2009 and \$145 thousand in 2008. Under the Farmer Mac long-term standby commitment to purchase agreements, we continue to hold the loans in our portfolio, and we pay commitment fees to Farmer Mac for the right to put a loan designated in these agreements to Farmer Mac at par in the event the loan becomes significantly delinquent (typically four months past due). If the borrower cures the default, we must repurchase the loan and the commitment remains in place. Farmer Mac long-term standby commitments to purchase agreements are further described in Note 3. Other than the contractual obligations arising from these business transactions with Farmer Mac, Farmer Mac is not liable for any debt or obligation of ours and we are not liable for any debt or obligation of Farmer Mac. For more information on Farmer Mac, refer to their website at www.farmermac.com.

We have no other credit guarantees with government agencies outstanding at December 31, 2010, 2009, and 2008.

Credit Commitments

We may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of our borrowers and to manage our exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our 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 contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. The following table summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2010.

(dollars in thousands)	1 – 3 years	Over 5 years	Total
Commitments to extend credit	\$959	\$75,034	\$75,993

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Statement of Condition until funded or drawn upon. The credit risk associated with issuing commitments is substantially the same as that involved in extending loans to borrowers and we apply the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. No material losses are anticipated as a result of these credit commitments.

High Risk Assets

Nonperforming loan volume is comprised of nonaccrual loans, restructured loans, and loans 90 days past due still accruing interest and are referred to as impaired loans. High risk assets consist of impaired loans and other

property owned. Comparative information regarding high risk assets in the portfolio, including accrued interest, is in the following table.

(dollars in thousands)	2010	2009	2008
Nonaccrual loans:			
Real estate mortgage	\$8,429	\$691	\$788
Agribusiness	\$90	\$-	\$-
Total high risk assets	\$8,519	\$691	\$788
Nonaccrual loans to			
total loans	1.42%	0.11%	0.14%
High risk assets to			
total loans	1.42%	0.11%	0.14%
High risk assets to			
total shareholders' equity	7.73%	0.69%	0.84%

We had no loans classified as restructured, 90 days past due still accruing interest, and no other property owned for the years presented.

Total high risk assets increased \$7.8 million or 1,132.85%, to \$8.5 million at December 31, 2010 compared with year-end 2009. Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of all principal and/or interest. Nonaccrual volume increased \$7.8 million compared with December 31, 2009 primarily due to the transfer of one borrower with a balance of \$8.0 million. This one dairy commodity borrower makes up 93.91% of our nonaccrual loan volume. The dairy industry has experienced stressed economic conditions for the past two years, although there was some modest improvement in 2010. The following table provides additional information on nonaccrual loans as of December 31.

(dollars in thousands)	2010	2009	2008
Nonaccrual loans current as to principal and interest	\$558	\$507	\$234

For the years presented, we had no cash basis nonaccrual loans and no restructured loans in nonaccrual status.

High risk asset volume is anticipated to decrease in the future due to the expected resolution during 2011 of the one large nonaccrual borrower previously discussed.

Credit Quality

We review the credit quality of the loan portfolio on an on-going basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS), which is used by all System institutions. Below are the classification definitions.

Acceptable – Assets are expected to be fully collectible

and represent the highest quality.

Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.

Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.

Doubtful – Assets exhibit similar weaknesses as substandard assets. However, doubtful assets have additional weaknesses in existing facts that make collection in full highly questionable.

Loss – Assets are not considered collectible.

The following table presents statistics based on UCS related to the credit quality of the loan portfolio, including accrued interest at December 31.

	2010	2009	2008
Acceptable	93.14%	96.84%	99.22%
OAEM	3.77%	0.77%	0.30%
Substandard	3.09%	2.39%	0.48%
Total	100.00%	100.00%	100.00%

Recent economic conditions have created challenges for some borrowers and our credit quality has declined. Most of the decline is concentrated in dairy commodity loans. Low commodity prices for milk and increased costs, particularly for feed, have caused the financial position for many dairy farmers to decline. Loans classified as Acceptable and OAEM were 96.91% at December 31, 2010 and 97.61% at December 31, 2009. We had no loans classified as Doubtful or Loss for any of the three years presented. With our borrowers' generally strong financial positions and the continued emphasis on sound underwriting standards, the credit quality of our loan portfolio, even though it has declined slightly, remains strong. Agriculture remains a cyclical business that is heavily influenced by production, operating costs and commodity prices. Each of these can be significantly impacted by uncontrollable events. While credit quality is anticipated to remain sound in 2011, we expect that the less favorable economic conditions may lead to some further weakening in the loan portfolio. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans decreased and remained at a low level of 0.01% at December 31, 2010, compared with 0.06% at December 31, 2009.

Allowance for Loan Losses

We maintain an allowance for loan losses at a level

consistent with the probable losses identified by management. The allowance for loan losses at each period end was considered to be adequate to absorb probable losses existing in the loan portfolio. Because the allowance for loan losses considers factors such as current agricultural and economic conditions, loan loss experience, portfolio quality and loan portfolio composition, there will be a direct impact to the allowance for loan losses and our income statement when there is a change in any of those factors. The following table provides relevant information regarding the allowance for loan losses as of December 31.

(dollars in thousands)	2010	2009	2008
Balance at beginning of year	\$600	\$220	\$195
Provision for loan losses	325	380	25
Balance at December 31	\$925	\$600	\$220

The following table presents the allowance for loan losses by loan type as of December 31.

(dollars in thousands)	2010	2009	2008
Real estate mortgage	\$895	\$572	\$198
Production and intermediate-term	8	19	8
Agribusiness	3	3	10
Lease receivables	19	6	4
Total	\$925	\$600	\$220

The allowance for loan losses increased \$325 thousand from December 31, 2009, to \$925 thousand at December 31, 2010. The increase in allowance for loan losses was due to the provision for loan losses totaling \$325 thousand that was recorded due to credit quality deterioration and our concentration of dairy loans. No charge-offs or recoveries were recorded for the years presented. Comparative allowance for loan losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 are presented in the following table.

	2010	2009	2008
Allowance for loan losses as a percentage of:			
Loans	0.15%	0.10%	0.04%
Impaired loans	10.86%	86.83%	27.92%
Nonaccrual loans	10.86%	86.83%	27.92%

Young, Beginning and Small Farmers and Ranchers Program

As part of the Farm Credit System, we are committed to providing sound and dependable credit and related services to young, beginning and small (YBS) farmers and ranchers. "To serve Young, Beginning and Small

Farmers by providing dependable Mortgage Credit and Financial Services" is the mission statement of our YBS program. The FCA regulatory definitions for YBS farmers and ranchers are shown below.

Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.

Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less farming or ranching experience as of the date the loan was originally made.

Small Farmer: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than \$250 thousand in annual gross sales of agricultural or aquatic products at the date the loan was originally made.

The following table outlines our percentage of YBS loans as a percentage of the number of loans in our loan portfolio while the USDA column represents the percent of farmers and ranchers classified as YBS within our territory per the 2007 USDA Agricultural Census, which is the most current data available. Due to FCA regulatory definitions, a loan may be included in multiple categories as each would be included in each category in which the definition was met.

(dollars in thousands)	USDA	2010	2009	2008
Young	4.30%	15.96%	16.00%	15.97%
Beginning	28.99%	30.81%	31.08%	30.83%
Small	76.99%	26.38%	27.38%	26.40%

We establish annual marketing goals to increase market share of loans to YBS farmers and ranchers. Our goals are as follows:

Offer related services either directly or in coordination with others that are responsive to the needs of YBS farmers and ranchers in our territory;

Take full advantage of opportunities for coordinating credit and services offered with other System institutions in the territory and other governmental and private sources of credit who offer credit and services to those who qualify as YBS farmers and ranchers in our territory; and, Implement effective outreach programs to attract YBS farmers and ranchers.

To promote this program, we take advantage of opportunities to provide scholarships to students majoring in agricultural studies. We also work closely with area high schools, a junior college, and universities providing them with assistance in various ways. Our

Chief Executive Officer has been appointed to a local junior college Ag Advisory Committee and is also on a leadership committee providing input to a junior college leadership program aimed at high school juniors. We also assist local 4-H clubs and have a senior loan officer who serves on the Fresno County 4-H Advisory Board.

Quarterly reports are provided to our Board of Directors detailing the number, volume and credit quality of our YBS customers. We have developed quantitative targets to monitor our progress shown in the table at the bottom of this page.

To ensure that credit and services offered to our YBS farmers and ranchers are provided in a safe and sound manner and within our risk-bearing capacity, we recognize that applicants may not meet all of the credit criteria expected from established farmers. Our staff makes an extra effort to coordinate a credit package with an appropriate level of risk to us, while still meeting the credit needs of YBS farmers and ranchers to the full extent of their creditworthiness. Our staff is encouraged to develop special skills and expertise on lending to this group of borrowers. Loan officers are also encouraged to provide one-on-one assistance as needed to the borrowers.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolio and also in our unfunded loan commitments. Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies and procedures.

Underwriting standards are utilized to determine an applicant's operational, financial, and managerial resources available for repaying debt within the terms of the note and loan agreement. Underwriting standards include among other things, an evaluation of:

character – borrower integrity and credit history;

capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income;

collateral – to protect the lender in the event of default and also serve as a secondary source of loan repayment;

capital – ability of the operation to survive unanticipated risks; and,

conditions – intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, we cannot have loan commitments to one borrower for more than 25% of our permanent capital. Through lending delegations, AgBank restricts individual loan size limits to one borrower to 15% of our permanent capital; exceptions must be reported to AgBank. Within these parameters, we have set our own lending limits maximum of 10% of total capital for our highest quality borrowers to manage loan concentration risk.

We have established internal lending delegations to properly control the loan approval process. Delegations to staff are

	Goals 2013	Goals 2012	Goals 2011	Goals 2010	Actual 2010
Young	\$170,445	\$155,657	\$142,153	\$151,933	\$129,820
% change*	9.50%	9.50%	9.50%	13.50%	-3.02%
Beginning	\$166,658	\$160,835	\$155,217	\$172,496	\$149,794
% change*	3.62%	3.62%	3.62%	6.75%	-7.30%
Small	\$100,796	\$93,286	\$86,336	\$83,328	\$79,904
% change*	8.05%	8.05%	8.05%	6.50%	2.12%
Association	\$759,595	\$730,380	\$702,288	\$692,937	\$675,277
Number of loan goals:					
Young	208	207	205	211	203
% change*	0.86%	0.86%	0.86%	1.50%	-2.40%
Beginning	398	416	393	408	391
% change*	0.56%	1.00%	0.56%	1.00%	-3.22%
Small	450	398	394	369	369
% change*	6.82%	3.75%	6.82%	3.75%	3.65%
Association	1,400	1,400	1,325	1,325	1,298

*percentage change from prior year

based on our risk-bearing ability, loan size, complexity, type and risk, as well as the expertise and position of the credit staff member. Larger and more complex loans or loans perceived to have higher risk are typically approved by our loan committee with the most experienced and knowledgeable credit staff serving as members.

The majority of our lending is first mortgage real estate loans which must be secured by a first lien on real estate. Collateral evaluations are completed in compliance with FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. All collateral evaluations must be performed by a qualified appraiser. Certain appraisals must be performed by individuals with a state certification or license.

We use a two-dimensional risk rating model (Model) based on the Farm Credit System's Combined System Risk Rating Guidance which estimates each loan's probability of default (PD) and loss given default (LGD). PD estimates the probability that a borrower will experience a default within twelve months from the date of determination. LGD provides an estimation of the anticipated loss with respect to a specific financial obligation of a borrower assuming a default has occurred or will occur within the next twelve months. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. The PDs and LGDs are utilized in loan and portfolio management processes and are partially utilized for the allowance for loan losses estimate. This Model also serves as the basis for economic capital modeling.

The Model's 14-point probability of default scale provides for nine acceptable categories, one OAEM category, two substandard categories, one doubtful category and one loss category; each carrying a distinct percentage of default probability. The Model's LGD scale provides 6 categories that have the following anticipated principal loss and range of economic loss expectations:

- A 0% anticipated principal loss;**
0% to 5% range of economic loss
- B 0% to 3% anticipated principal loss;**
5% to 15% range of economic loss
- C > 3% to 7% anticipated principal loss;**
15% to 20% range of economic loss
- D > 7% to 15% anticipated principal loss;**
20% to 25% range of economic loss
- E > 15% to 40% anticipated principal loss;**
25% to 50% range of economic loss
- F above 40% anticipated loss;**
above 50% range of economic loss

RESULTS OF OPERATIONS

Earnings Summary

In 2010, we recorded net income of \$12.3 million, compared with \$9.4 million in 2009, and \$8.2 million in 2008. The increase in 2010 was due to improvement in all earnings components. The following table presents the changes in the significant components of net income from the previous year.

(dollars in thousands)	2010 vs. 2009	2009 vs. 2008
Net income, prior year	\$9,405	\$8,155
Increase/(Decrease) from changes in:		
Interest income	631	-666
Interest expense	480	4,007
Net interest income	1,111	3,341
Provision for loan losses	55	-355
Noninterest income	1,059	-1,188
Noninterest expense	633	-548
Total increase in net income	2,858	1,250
Net income, current year	\$12,263	\$9,405

Return on average assets increased to 1.95% from 1.56% in 2009, and return on average shareholders' equity increased to 11.72% from 9.80% in 2009, primarily as a result of the increase in net income.

Net Interest Income

Net interest income for 2010 was \$15.3 million, compared with \$14.2 million for 2009 and \$10.8 million for 2008. Net interest income is our principal source of earnings and is impacted by interest earning asset volume, yields on assets and cost of debt. The increase in net interest income was largely due to increased average volume of earning assets and net lower interest rates earned and paid along with increased interest income on nonaccrual loans. The table below provides an analysis of the individual components of the change in net interest income during 2010 and 2009.

(dollars in thousands)	2010 vs. 2009	2009 vs. 2008
Net interest income, prior year	\$14,179	\$10,838
Increase/(Decrease) in net interest income from changes in:		
Interest rates earned	-554	-4,466
Interest rates paid	869	5,905
Volume of interest-bearing assets and liabilities	671	1,747
Interest income on nonaccrual loans	125	155
Increase in net interest income	1,111	3,341
Net interest income, current year	\$15,290	\$14,179

The following table illustrates net interest margin and the average interest rates on loans and debt cost and interest rate spread.

For the Year Ended December 31	2010	2009	2008
Net interest margin	2.53%	2.44%	2.16%
Interest rate on:			
Average loan volume	4.52%	4.60%	5.45%
Average debt	2.32%	2.50%	3.88%
Interest rate spread	2.20%	2.10%	1.57%

The increase in interest rate spread resulted from an 8 basis point decrease in interest rates on average loan volume and an 18 basis point decrease in interest rates on average debt. The increase in net interest margin, in addition to the change in spread, was due to increased average loan volume partially offset by lower earnings on our own capital. The spread was negatively impacted by an increase charged by AgBank of 10 basis points effective July 1, 2009 and another 10 basis points effective January 1, 2010 through September 30, 2010 but, it was more than offset by a shift during 2010 in the loan portfolio to administered variable rate products from fixed rate products by borrowers. Fixed rate products typically do not have as high a spread as variable rate products. Additionally, as the Federal Reserve lowered rates in 2008, we typically

lowered our rates; however, our cost of funds did not decline as much due to spreads widening on debt. Further, net interest income was positively impacted by an increase of capital as a percentage of average earning assets.

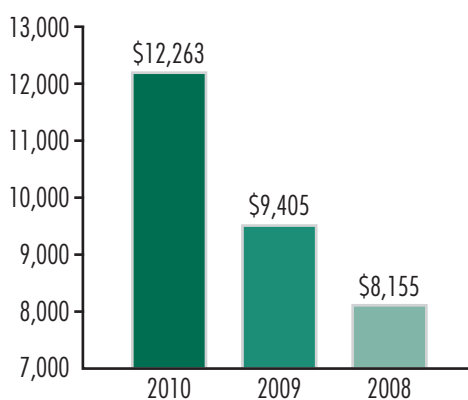
Provision for Loan Losses

We monitor our loan portfolio on a regular basis to determine if any increase through provision for loan losses or decrease through a loan loss reversal in our allowance for loan losses is warranted based on our assessment of the probable losses in our loan portfolio. We recorded provision for loan losses of \$325 thousand in 2010, compared with \$380 thousand in 2009 and \$25 thousand in 2008. The provision for loan losses recorded during 2010 was primarily due to our continued concern with the credit quality of the dairy segment of the loan portfolio. The provision for loan losses recorded in 2009 was primarily due to credit quality deterioration, particularly in the dairy segment of the loan portfolio, and continued weak general economic conditions.

Noninterest Income

During 2010, we recorded noninterest income of \$1.2 million, compared with \$135 thousand in 2009 and \$1.3 million in 2008. Patronage distributions from AgBank are our primary source of noninterest income. Beginning in 2009, patronage from AgBank was determined annually instead of quarterly and, except for certain priority patronage, paid after the end of the year. As a result, our patronage income increased in 2010, compared with 2009 where only priority patronage was paid. Patronage received was \$419 thousand in 2010, \$4 thousand in 2009, and \$1.2 million in 2008. AgBank patronage was paid in cash. During 2010, we received from Farm Credit System Insurance Company (FCSIC) a distribution of \$661 thousand representing our allocated portion of the excess amount in the System's insurance fund above the 2% secure base amount. As a result, our noninterest income increased compared with 2009. Noninterest income also includes loan fees, financially related services income and other noninterest income.

NET INCOME (in thousands)



RETURN ON ASSETS



Noninterest Expense

Noninterest expense for 2010 decreased \$633 thousand, or 13.98%, to \$3.9 million compared with 2009. Noninterest expense for each of the three years ended December 31 is summarized below:

(dollars in thousands)	Percent of Change				
	2010	2009	2008	2010/2009	2009/2008
Salaries & employee benefits	\$2,098	\$2,026	\$1,765	3.55%	14.79%
Occupancy & equipment	184	146	164	26.03%	-10.98%
Purchased services from AgVantis	228	201	184	13.43%	9.24
Supervisory & examination costs	208	181	169	14.92%	7.10%
Other	888	876	906	1.37%	-3.31%
Total operating expense	3,606	3,430	3,188	5.13%	7.59%
Farm Credit Insurance Fund premium	290	1,099	793	-73.61%	38.59%
Total noninterest expense	\$3,896	\$4,529	\$3,981	-13.98%	13.77%

For the year ended December 31, 2010, total operating expense increased \$176 thousand, or 5.13%, compared with the year ended December 31, 2009, primarily due to moderate increases in most operating expense categories. Occupancy & equipment expense increased by \$38 thousand or, 26.03%, primarily due to increased maintenance performed on our office buildings. Increases in purchased services from AgVantis and supervisory & examination costs of \$27 thousand, or 13.43%, and \$27 thousand, or 14.92%, respectively, were primarily driven by increased average loan volume compared to prior periods. Insurance Fund premium decreased \$809 thousand to \$290 thousand due to a decrease in the premium rate offset by an increase in average volume. As of July 1, 2008, the Farm Credit System Insurance Corporation began charging premiums based on debt rather than loan volume. Rates were decreased to 5 basis points during 2010 compared with 20 basis points during 2009. Premium rates were 15 basis points on average loan volume during the first six months of 2008. During the last six months of 2008 premiums were charged on average debt at 15 basis points for the third quarter and 18 basis points for the fourth quarter.

LIQUIDITY

Liquidity is necessary to meet our financial obligations. Liquidity is needed to pay our note with AgBank, fund loans and other commitments, and fund business operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow and maximize debt reduction. Our direct loan with AgBank, cash on hand and loan repayments provide adequate liquidity to fund our on-going operations and other commitments.

Funding Sources

Our primary source of liquidity is the ability to obtain funds for our operations through a borrowing relationship with AgBank. Our note payable to AgBank is collateralized by a pledge to AgBank of substantially all of our assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA). The GFA is subject to renewal at its expiration date of April 30, 2012 in accordance with normal business practices. We expect renewal of the GFA after the expiration date. The annual average principal balance of the note payable to AgBank was \$519.2 million in 2010, \$502.9 million in 2009 and \$427.1 million in 2008.

We plan to continue to fund lending operations through the utilization of our borrowing relationship with AgBank, retained earnings from current and prior years and from borrower stock investments. AgBank's primary source of funds is the ability to issue Systemwide Debt Securities to investors through the Federal Farm Credit Bank Funding Corporation. This access has traditionally provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. Although financial markets have experienced significant volatility in 2008 and 2009, we were able to obtain sufficient funding to meet the needs of our customers.

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with AgBank which allows for loans to be match-funded. Borrowings from AgBank match the pricing, maturity, and option characteristics of our loans to borrowers. AgBank manages interest rate risk through the direct loan pricing and their asset/liability management processes. Although AgBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk through the impact of interest rate changes on earnings generated from our loanable funds.

Funds Management

We offer variable, fixed, adjustable prime-based and LIBOR-based rate loans to borrowers. Our Board of Directors determines the interest rate charged based on the following factors: 1) the interest rate charged by AgBank; 2) our existing rates and spreads; 3) the competitive rate environment; and 4) our profitability objectives.

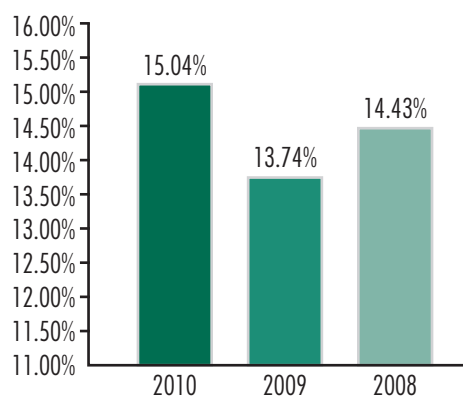
CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility and cycles in agriculture. Over the past several years, we have been able to build capital primarily through net income retained after patronage. Shareholders' equity at December 31, 2010 totaled \$110.2 million, compared with \$100.4 million at December 31, 2009 and \$94.2 million at December 31, 2008. The increase of \$9.8 million in shareholder's equity reflects net income partially offset by patronage refunds and net stock retirements. Our capital position is reflected in the following ratio comparisons.

	2010	2009	2008
Debt to shareholders' equity	4.63:1	5.29:1	5.07:1
Shareholders' equity as a percent of net loans	18.38%	16.43%	17.05%
Shareholders' equity as a percent of total assets	17.77%	15.90%	16.48%

Debt to shareholders' equity decreased and shareholders' equity as a percent of net loans and of total assets increased from 2009 primarily due to decreased loan volume and additions to capital from net income partially offset by patronage distributions and net stock retirements.

PERMANENT CAPITAL RATIO



Retained Earnings

Our retained earnings increased \$9.8 million to \$109.0 million at December 31, 2010 from \$99.2 million at December 31, 2009. The increase was a result of net income of \$12.3 million, partially offset by \$2.5 million of patronage distributions declared.

Patronage Program

We have a Patronage Program that allows us to distribute our available net earnings to our shareholders. This program provides for the application of net earnings in the manner described in our Bylaws. In addition to determining the amount and method of patronage to be distributed, this includes increasing surplus to meet capital adequacy standards established by Regulations; increasing surplus to a level necessary to support competitive pricing at targeted earnings levels; and increasing surplus for reasonable reserves. Patronage distributions are based on business done with us during the year. We paid cash patronage of \$2.5 million in 2010, \$3.2 million in 2009 and \$3.0 million in 2008.

Stock

Our total stock and participation certificates decreased \$27 thousand to \$1.2 million at December 31, 2010, from \$1.2 million at December 31, 2009. The decrease was due to \$138 thousand of stock retirements, partially offset by \$111 thousand of stock issuances. We require a stock investment for each borrower loan. The current stock requirement for each borrower is the lesser of one thousand dollars or 2.00% of the collective total balance of each borrower's loan(s).

Capital Plan and Regulatory Requirements

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital

level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors. FCA regulations require the plan consider the following factors in determining optimal capital levels, including:

Regulatory capital requirements;

Asset quality;

Needs of our customer base; and

Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital.

FCA regulations establish minimum capital standards expressed as a ratio of capital to assets, taking into account relative risk factors for all System institutions. In general, the regulations provide for a relative risk weighting of assets and establish a minimum ratio of permanent capital, total surplus and core surplus to risk-weighted assets. Our capital ratios as of December 31 and the FCA minimum requirements follow.

Regulatory	Minimum	2010	2009	2008
Permanent capital ratio	7.00%	15.04%	13.74%	14.43%
Total surplus ratio	7.00%	14.85%	13.54%	14.22%
Core surplus ratio	3.50%	14.85%	13.54%	14.22%

As of December 31, 2010, we exceeded the regulatory minimum capital ratios and are expected to do so throughout 2011. However, the minimum ratios established were not meant to be adopted as the optimum capital level, so we have established goals in excess of the regulatory minimum. As of December 31, 2010, we have met our goals. Due to our strong capital position, we will continue to be able to retire at-risk stock.

REGULATORY MATTERS

As of December 31, 2010, we had no enforcement actions in effect and FCA took no enforcement actions on us during the year.

The Farm Credit Administration is considering the promulgation of Tier 1 and Tier 2 capital standards for Farm Credit System institutions. The Tier 1/Tier 2 capital structure would be similar to the capital tiers delineated in the Basel Accord that the other Federal financial regulatory agencies have adopted for the banking organizations they regulate. Comments on the advance notice of proposed rulemaking are due in May 2011.

On June 16, 2008, the Farm Credit Administration published a proposed rule in the Federal Register that would authorize Banks, Associations or service corporations to

invest in rural communities, i.e., communities that have fewer than 50,000 residents and are outside of an urbanized area, under certain conditions. The proposed rule would authorize two types of rural community investments: (1) investment in debt securities that would involve projects or programs that benefit the public in rural communities, and (2) equity investment in venture capital funds, which funds create economic opportunities and jobs in rural communities by providing capital to small or start-up businesses. Under the proposed rule, these investments would be limited to 150% of the institution's total surplus. The comment period closed August 15, 2008. A date for final action on the rule has not been determined.

GOVERNANCE

Board of Directors

We are governed by a six member board that provides direction and oversees our management. Of these directors, five are elected by the shareholders and one is appointed by the elected directors. Our Board of Directors represents the interests of our shareholders. The Board of Directors meets regularly to perform the following functions, among others:

selects, evaluates and compensates the chief executive officer;

approves the strategic plan, capital plan, financial plan and the annual operating budget;

oversees the lending operations;

directs management on significant issues and,

oversees the financial reporting process, communications with shareholders and our legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in our interest. All our directors are independent from the perspective that none of our management or staff serves as Board members. However, we are a financial services cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

The elected directors, as borrowers, have a vested interest in ensuring our Association remains strong and successful. However, our borrowing relationship could be viewed as having the potential to compromise the independence of an elected director. For this reason, the Board has established independence criteria to ensure that a loan relationship does not compromise the independence of our Board. Annually, in conjunction with our independence analysis

and reporting on our loans to directors, each director provides financial information and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.

Audit Committee

The Audit Committee reports to the Board of Directors. The Audit Committee is composed of all six Board members. During 2010, twelve meetings were held. The Audit Committee responsibilities generally include, but are not limited to:

oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;

the oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;

the review and assessment of the impact of accounting and auditing developments on the financial statements; and,

the establishment and maintenance of procedures for the receipt, retention and treatment of confidential and anonymous submission of concerns, regarding accounting, internal accounting controls or auditing matters.

Compensation Committee

The Compensation Committee is responsible for the oversight of employee and director compensation. The Compensation Committee is composed of the full Board. The Committee annually reviews, evaluates and approves the compensation policies, programs and plans for senior officers and employees including benefits programs.

Other Governance

The Board has monitored the requirements of public companies under the Sarbanes-Oxley Act. While we are not subject to the requirements of this law, we are striving to implement steps to strengthen governance and financial reporting. We strive to maintain strong governance and financial reporting through the following actions:

a system for the receipt and treatment of whistleblower complaints,

a code of ethics for our President/CEO, Chief Financial Officer and Chief Credit Officer,

open lines of communication between the independent auditors, management, and the Audit Committee,

“plain English” disclosures,

officer certification of accuracy and completeness of the financial statements, and

information disclosure through our website.

FORWARD-LOOKING INFORMATION

Our discussion contains 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,” and “will,” or other variations of these terms are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other 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;

economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;

weather, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;

changes in United States government support of the agricultural industry and/or the Farm Credit System; and,

actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements are based on accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because we have to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2 of the accompanying financial statements. The development and selection of critical accounting policies, and the related disclosures, have been reviewed by our Audit Committee. A summary of critical policies relating to determination of the allowance for loan losses follows.

Allowance for Loan Losses

The allowance for loan losses is our best estimate of the amount of probable loan losses existing in and inherent in our loan portfolio as of the balance sheet date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. We determine the allowance for loan losses based on a regular evaluation of the loan portfolio, which generally considers recent historic charge-off experience adjusted for relevant factors.

Loans are evaluated based on the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantor; and, if appropriate, the estimated net realizable value of any collateral. The allowance for loan losses attributable to these loans is established by a process that estimates the probable loss inherent in the loans, taking into account various historical and projected factors, internal risk ratings, regulatory oversight, and geographic, industry and other factors.

Changes in the factors we consider in the evaluation of losses in the loan portfolio could occur for various credit related reasons and could result in a change in the allowance for loan losses, which would have a direct impact on the provision for loan losses and results of operations. See Notes 2 and 3 to the accompanying financial statements for detailed information regarding the allowance for loan losses.

CUSTOMER PRIVACY

FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers and employees. FCA regulations and our Standards of Conduct Policies specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

REPORT OF MANAGEMENT

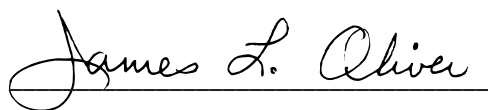
The financial statements of the Federal Land Bank Association of Kingsburg, FLCA are prepared by management, who is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances. The financial statements, in the opinion of management, fairly present the financial condition of the Association. Other financial information included in the annual report is consistent with that in the financial statements.

To meet the responsibility for reliable financial information, management depends on the Association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance assets are safeguarded and transactions are properly authorized and recorded. To monitor compliance, the Association's internal auditors and review staff performs audits of the accounting records, reviews accounting systems and internal controls, and recommends improvements as appropriate. The financial statements are examined by PricewaterhouseCoopers llp, independent auditors, who also conduct a review of internal controls to the extent necessary to comply with generally accepted auditing standards. The Association is also examined by the Farm Credit Administration.

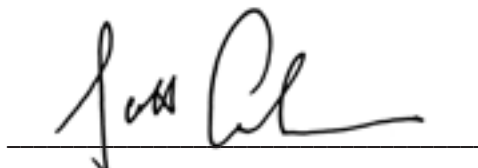
The Audit Committee of the Board of Directors has overall responsibility for the Association's system of internal control and financial reporting. The Audit Committee consults regularly with management and reviews the results of the examinations by the various entities named above. The independent auditors have direct access to the Audit Committee.

The undersigned certify the Federal Land Bank Association of Kingsburg, FLCA Annual Report has been reviewed, 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.

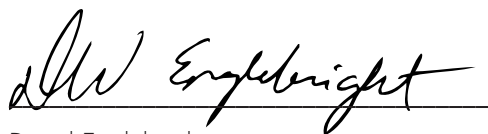
March 16, 2011



James L. Oliver
Chairman of the Board



Scott Anderson
President & CEO



David Englebright
Chief Financial Officer

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) is comprised of all Directors of Federal Land Bank Association of Kingsburg, FLCA (the Association) Board of Directors. In 2010, 12 Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside 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 Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter. The Committee approved the appointment of PricewaterhouseCoopers, LLP (PwC) as the Association's independent auditors for 2010.

The fees paid for professional services rendered for the Association by its independent auditor, PwC, during 2010 were \$30,166 for audit services.

Management is responsible for the Association's internal controls and the preparation of the 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 Association's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and the Association's financial statements for the year ended December 31, 2010 (the "Audited Financial Statements") with management. The Committee also reviews with PwC the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance). Both PwC and the Association's internal auditors directly provide reports on significant matters to the Committee.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Financial Statements in the Association's Annual Report to Shareholders for the year ended December 31, 2010.

March 16, 2011



Michael Fry
Chairman of the Audit Committee

Audit Committee Members

James L. Oliver

Dean L. Jensen

Randall L. Flaming

Stephen Brown

Robert Reimer



Report of Independent Auditors

To the Board of Directors and Shareholders of
Federal Land Bank Association of Kingsburg, FLCA:

In our opinion, the accompanying statements of condition and the related statements of income, of changes in shareholders' equity, and of cash flows present fairly, in all material respects, the financial position of Federal Land Bank Association of Kingsburg, FLCA (the Association) at December 31, 2010, 2009 and 2008, and the results of its operations and its 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

March 16, 2011

*PricewaterhouseCoopers LLP, 1670 Broadway, Suite 1000, Denver, CO 80202
T: (720) 931 7000, F: (720) 931 7100, www.pwc.com/us*

STATEMENT OF CONDITION

(Dollars in Thousands)

	December 31		
	2010	2009	2008
ASSETS			
Loans	\$600,288	\$611,724	\$552,394
Less allowance for loan losses	925	600	220
Net loans	599,363	611,124	552,174
Cash	41	34	63
Accrued interest receivable	4,810	5,140	5,811
Investment in U.S. AgBank, FCB	14,226	13,838	12,063
Premises and equipment, net	1,068	1,086	1,155
Other assets	225	211	194
Total assets	\$619,733	\$631,433	\$571,460

LIABILITIES

Note payable to U.S. AgBank, FCB	\$502,315	\$522,642	\$465,252
Advance conditional payments	577	603	765
Accrued interest payable	5,566	6,161	10,043
Accrued benefits liability	196	158	119
Other liabilities	924	1,450	1,114
Total liabilities	509,578	531,014	477,293

Commitments and Contingencies (See Note 12)

SHAREHOLDERS' EQUITY

Capital stock and participation certificates	1,212	1,239	1,192
Unallocated retained earnings	108,943	99,180	92,975
Total shareholders' equity	110,155	100,419	94,167
Total liabilities and shareholders' equity	\$619,733	\$631,433	\$571,460

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

STATEMENT OF INCOME

(Dollars in Thousands)	For the Year Ended December 31		
	2010	2009	2008
INTEREST INCOME			
Loans	\$27,384	\$26,753	\$27,419
Total interest income	27,384	26,753	27,419
INTEREST EXPENSE			
Note payable to U.S. AgBank, FCB	12,087	12,571	16,571
Advanced conditional payments and other conditional trust funds	7	3	10
Total interest expense	12,094	12,574	16,581
Net interest income	15,290	14,179	10,838
Provision for loan losses	325	380	25
Net interest income after provision for loan losses	14,965	13,799	10,813
NONINTEREST INCOME			
Financially related services income	21	49	12
Loan fees	53	58	34
Patronage distribution from U.S. AgBank, FCB	419	4	1,238
Farm Credit Insurance Fund distribution	661	-	-
Other noninterest income	40	24	39
Total noninterest income	1,194	135	1,323
NONINTEREST EXPENSE			
Salaries and employee benefits	2,098	2,026	1,765
Occupancy and equipment	184	146	164
Purchased services from AgVantis, Inc.	228	201	184
Farm Credit Insurance Fund premium	290	1,099	793
Supervisory and examination costs	208	181	169
Other noninterest expense	888	876	906
Total noninterest expense	3,896	4,529	3,981
Net income	\$12,263	\$9,405	\$8,155

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in Thousands)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2007	\$1,162	\$87,820	\$88,982
Net income		8,155	8,155
Capital stock and participation certificates issued	168		168
Capital stock and participation certificates retired	(138)		(138)
Patronage Distributions: Cash		(3,000)	(3,000)
Balance at December 31, 2008	1,192	92,975	94,167
Net income		9,405	9,405
Capital stock and participation certificates issued	130		130
Capital stock and participation certificates retired	(83)		(83)
Patronage Distributions: Cash		(3,200)	(3,200)
Balance at December 31, 2009	1,239	99,180	100,419
Net income		12,263	12,263
Capital stock and participation certificates issued	111		111
Capital stock and participation certificates retired	(138)		(138)
Patronage Distributions: Cash		(2,500)	(2,500)
Balance at December 31, 2010	\$1,212	\$108,943	\$110,155

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

STATEMENT OF CASH FLOWS

(Dollars in Thousands)	For the Year Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$12,263	\$9,405	\$8,155
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	107	109	123
Provision for loan losses	325	380	25
Gains on sales of premises and equipment	(25)	–	(16)
Change in assets and liabilities:			
Decrease in accrued interest receivable	330	671	1,486
Increase in other assets	(14)	(17)	(8)
(Decrease)/Increase in accrued interest payable	(595)	(3,882)	1,757
Increase/(Decrease) in accrued benefits liability	38	39	(304)
(Decrease)/Increase in other liabilities	(526)	336	227
Total adjustments	(360)	(2,364)	3,290
Net cash provided by operating activities	11,903	7,041	11,445
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease/(Increase) in loans, net	11,436	(59,330)	(82,454)
Increase in investment in U.S. AgBank, FCB	(388)	(1,775)	–
Expenditures for premises and equipment, net	(64)	(40)	(84)
Net cash provided by/(used in) investing activities	10,984	(61,145)	(82,538)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayment of)/draw on note payable to U.S. AgBank, FCB	(20,327)	57,390	74,389
Decrease in advance conditional payments	(26)	(162)	(311)
Capital stock and participation certificates retired	(138)	(83)	(138)
Capital stock and participation certificates issued	111	130	168
Cash patronage distributions paid	(2,500)	(3,200)	(3,000)
Net cash provided by financing activities	(22,880)	54,075	71,108
Net increase/(decrease) in cash	7	(29)	15
Cash at beginning of year	34	63	48
Cash at end of year	\$41	\$34	\$63
SUPPLEMENTAL CASH INFORMATION:			
Cash paid for interest	\$12,689	\$16,456	\$14,824

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

NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands, Except as Noted)

NOTE 1 – ORGANIZATION AND OPERATIONS

A. Organization: Federal Land Bank Association of Kingsburg, FLCA (“the Association”) is a member-owned cooperative which provides credit and credit-related services to or for the benefit of eligible borrowers/shareholders for qualified agricultural purposes in the counties of Fresno, Kings and Tulare in the state of California.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act). At December 31, 2010, the System was comprised of four Farm Credit Banks, one Agricultural Credit Bank and approximately 90 associations.

U.S. AgBank, FCB (AgBank), its related associations and AgVantis, Inc. (AgVantis) are collectively referred to as the District. AgBank provides the majority of funding to associations within the District and is responsible for supervising certain activities of the District Associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to AgBank and certain associations. On December 31, 2010, the District consisted of AgBank, 24 Agricultural Credit Association (ACA) parent companies, which each have two wholly owned subsidiaries, (a FLCA and a PCA), two FLCAs and AgVantis.

In November of 2010, the U.S. AgBank Board of Directors voted to pursue a merger with CoBank, another Farm Credit System Bank. The proposed merger is targeted to be effective on October 1, 2011. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and the PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and Associations. The FCA examines the activities of System institutions to ensure their compliance with the

Farm Credit Act, FCA regulations and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). By law, the Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected stock at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation in providing assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System Bank has been required to pay premiums, which may be passed on to the Associations, into the Insurance Fund based on its annual average outstanding insured debt adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments until the assets in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as 2.0 percent of the aggregate Insured Debt or such other percentage of the Insured Debt as the Insurance Corporation, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to System institutions. AgBank passes this premium expense through to each Association based on the Association’s average adjusted note payable with AgBank.

B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be provided by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents and farm-related businesses.

The Association also offers other credit related services such as credit life insurance, lease placement and fee appraisals. The Association’s financial condition may be impacted by factors affecting AgBank. Certain District expenses are allocated to the Associations. Disclosure of certain accounting policies related to these costs is included in the U.S. AgBank District Annual Report to Shareholders (District’s Annual Report).

The District's Annual Report is available free of charge on AgBank's website, www.usagbank.com; or may be obtained at no charge by contacting the Association at 1580 Ellis Street, Kingsburg, California 93631 or calling (559) 897-5814. Upon request, Association shareholders will be provided with a copy of the District's Annual Report, which includes the combined financial statements of AgBank and its related Associations, and AgVantis. The District's Annual Report discusses the material aspects of the District's financial condition, changes in financial condition, and results of operations. In addition, the District's Annual Report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities by the Insurance Corporation.

The lending and financial services offered by AgBank are described in Note 1 of AgBank's Annual Report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires Association management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates. Significant estimates are discussed in these footnotes as applicable. Recently issued or adopted accounting pronouncements follow.

In July 2010, the Financial Accounting Standards Board (FASB) issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses," which is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of the allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a rollforward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting

period by class of financing receivables, the aging of past due financing receivables, nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For non-public entities, all disclosures are effective for interim and annual reporting periods ending after December 15, 2011. The adoption of this Standard will not have an impact on the Association's financial condition or results of operations.

In January 2010, the FASB issued guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes will provide a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurement. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures were effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this Standard had no impact on the Association's financial condition and results of operations but resulted in expanded disclosures.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by improving the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This guidance was effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application was prohibited. This Statement must be applied to transfers occurring on or after the effective date. System institutions reviewed their loan participation agreements to ensure that participations would meet the requirements for sales treatment and not be required to be . The impact of adoption on January 1, 2010 was immaterial to the Association's financial condition and results of operations.

Below is a summary of our significant accounting policies.

A. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans made for agricultural production or operating purposes have maturities of ten years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Loan origination fees and direct loan origination costs are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest, and penalty interest incurred is collected in full or otherwise discharged.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately collateralized and in the process of collection) or when circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) and/or included in the recorded nonaccrual balance (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider.

When loans are in nonaccrual status, loan payments are generally applied against the recorded nonaccrual balance. A nonaccrual loan may, at times, be maintained on a cash basis. As a cash basis nonaccrual loan, the recognition of interest income from cash payments received is allowed when the

collectibility of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be returned to accrual status when all contractual principal and interest is current, prior charge-offs have been recovered in full, the ability of the borrower to fulfill the contractual repayment terms is fully expected and the loan is not classified Doubtful or Loss under the Uniform Classification System (UCS).

The Association uses a two-dimensional loan rating model based on an internally generated combined system risk rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

The credit risk rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is increased through provision for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The

allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, environmental conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty, imprecision and variability. Changes in the agricultural economy and environment and their impact on borrower repayment capacity will cause various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of those circumstances. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

A specific allowance may be established for impaired loans under GAAP. Impairment of these loans is measured by the present value of expected future cash flows discounted at the loan's effective interest rate or, as practically expedient, by the loan's observable market price, or fair value of the collateral, if the loan is collateral dependent.

B. Cash: Cash, as included in the financial statements, represents cash on hand and on deposit at financial institutions.

C. Investment in AgBank: The Association's investment in AgBank is in the form of Class A Stock. The minimum required investment in AgBank is 5.00 percent of average direct loan volume, net of excess investment. The required investment will be adjusted on a quarterly basis to reflect changes in direct loan volume. The required investment may consist of AgBank surplus attributed to the Association, patronage based stock and purchased stock.

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

improvements above certain thresholds are capitalized.

E. Other Assets and Other Liabilities: Other assets are comprised primarily of accounts receivable, prepaid expenses, and investment in Farm Credit institutions. Significant components of other liabilities primarily include accounts payable and employee benefits.

F. Advance Conditional Payments: The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Unrestricted advanced conditional payments are included in other interest bearing liabilities. Restricted advanced conditional payments are primarily associated with mortgage loans, while non-restricted are primarily related to production and intermediate-term loans and insurance proceeds on mortgage loans. Advance conditional payments are not insured. Interest is generally paid by the Association on advance conditional payments.

G. Employee Benefit Plans: Substantially all employees of the Association participate in the Eleventh District Defined Benefit Retirement Plan (Defined Benefit Plan) and/or the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan). The Defined Benefit Plan is a noncontributory plan. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. Detailed financial information for the Defined Benefit Plan may be found in the District's Annual Report. The Defined Benefit Plan was closed to employees hired after December 31, 1997.

The Defined Contribution Plan has two components. Employees who do not participate in the Defined Benefit Plan may receive benefits through the Employer Contribution portion of the Defined Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employees hired on or after January 1, 1998 are eligible to participate only in the Defined Contribution Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also provides certain health and

life insurance benefits to eligible current and retired employees through the Farm Credit Foundation Retiree Medical and Retiree Life Plans. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service.

H. Patronage Distribution from AgBank: Patronage distributions are made by AgBank annually, except for certain priority patronage. The Association records patronage distributions from AgBank upon receipt of the distribution.

I. Income Taxes: The Association is exempt from federal and other income taxes as provided in the Farm Credit Act.

J. Fair Value Measurement: FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Association did not have any significant assets or liabilities on the Statement of Condition measured at fair value requiring expanded disclosures.

K. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

Year Ended 31-Dec	2010	2009	2008
Real estate mortgage	\$573,847	\$578,717	\$518,585
Production and intermediate-term Agribusiness:	2,806	2,909	1,710
Processing and marketing	988	6,254	6,690
Farm related business	17,383	18,356	19,499
Rural residential real estate	277	294	309
Lease receivables	4,987	5,194	5,601
Total loans	\$600,288	\$611,724	\$552,394

The Association's concentration of credit risk in various agricultural commodities is shown in the table on the next page.

Year Ended 31-Dec	2010		2009		2008	
SIC Category	Amount	Percent	Amount	Percent	Amount	Percent
Dairy	\$197,975	32.98%	\$201,991	33.02%	\$173,562	31.42%
Tree fruit	87,162	14.52%	90,657	14.82%	84,352	15.27%
Raisin grapes	59,548	9.92%	54,566	8.92%	50,875	9.21%
Table/Wine grapes	44,061	7.34%	44,411	7.26%	36,513	6.61%
Nuts	43,761	7.29%	39,273	6.42%	36,955	6.69%
Cotton/IFC	38,719	6.45%	38,600	6.31%	39,772	7.20%
Other	129,062	21.50%	142,226	23.25%	130,365	23.60%
Total	\$600,288	100.00%	\$611,724	100.00%	\$552,394	100.00%

While the percentages shown in the previous table represent the relative amounts of the Association's potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's loans are collateralized. Accordingly, the Association's exposure to credit loss associated with lending activities is considerably less than the recorded loan balances. An estimate of the Association's current loss exposure is indicated in the financial statements in the allowance for loan losses.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed or enhanced by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

The Association has obtained credit enhancements by entering into Standby Commitment to Purchase Agreements (Agreements) with the Federal Agricultural Mortgage Corporation (Farmer Mac), covering loans with principal balance outstanding of \$38.9 million at December 31, 2010, \$49.0 million at December 31, 2009 and \$42.6 million at December 31, 2008. Under the Agreements, Farmer Mac agrees to purchase loans from the Association in the event of default (typically four months past due), subject to certain conditions, thereby mitigating the risk of loss from covered loans. In return, the Association pays Farmer Mac commitment fees based on the outstanding balance of loans covered by the Agreements. Such fees, totaling \$177 for 2010, \$182 for 2009 and \$145 for 2008 are reflected in noninterest expense.

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following presents information relating to impaired loans including accrued interest.

Year Ended 31-Dec	2010	2009	2008
Nonaccrual loans:			
Current as to principal and interest	\$558	\$507	\$234
Past due	7,961	184	554
Total impaired loans	\$8,519	\$691	\$788

There were no loans classified as accruing restructured or accruing loans 90 days or more past due for the years presented.

There were no material commitments to lend additional funds to debtors whose loans were classified impaired for the years presented.

Interest income is recognized and cash payments are applied on nonaccrual impaired loans as described in Note 2. The following table presents interest income recognized on impaired loans and average impaired loans.

Year Ended 31-Dec	2010	2009	2008
Interest income recognized on:			
Nonaccrual loans	\$125	\$155	\$4
Accrual loans 90 days or more past due	10	15	19
Interest income recognized on impaired loans	\$135	\$170	\$23
Average impaired loans	\$2,994	\$954	\$1,208

The following table presents additional information concerning impaired loans (including accrued interest).

Year Ended 31-Dec	2010	2009	2008
Impaired loans with related allowance	\$—	\$—	\$—
Impaired loans with no related allowance	8,519	691	788
Total impaired loans	\$8,519	\$691	\$788

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans follows.

For the Year Ended 31-Dec	2010	2009	2008
Interest income which would have been recognized under the original loan terms	\$198	\$70	\$101
Less:			
interest income recognized	125	155	4
Interest income not recognized/(recognized)	\$73	\$(85)	\$97

A breakdown of the allowance for loan losses by type of loan and the percent of total allowance follows.

Year Ended 31-Dec	2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent
Real estate mortgage	\$895	96.76%	\$572	95.33%	\$198	90.00%
Production and intermediate-term	8	0.86%	19	3.17%	8	3.64%
Agribusiness	3	0.32%	3	0.50%	10	4.55%
Lease receivables	19	2.06%	6	1.00%	4	1.81%
Total	\$925	100.00%	\$600	100.00%	\$220	100.00%

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

Year Ended 31-Dec	2010	2009	2008
Balance at beginning of the year	\$600	\$220	\$195
Provision for loan losses	325	380	25
Balance at end of year	\$925	\$600	\$220

NOTE 4 – INVESTMENT IN AGBANK

The Association is required to maintain an investment in AgBank equal to 5.00 percent of average direct loan volume, net of excess investment. The Association's investment in AgBank may consist of AgBank surplus attributed to the Association, patronage based stock and purchased stock. The Association's stock investment in AgBank is in the form of Class A Stock. The investment in AgBank is adjusted on a quarterly basis to reflect changes in direct loan volume, attributed surplus and stock investment balances. If needed to meet capital adequacy requirements, AgBank may require the Association to purchase at-risk stock subject to a limit of one percent of the Association's average Direct Loan Volume in a twelve month period.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following.

December 31	2010	2009	2008
Land	\$228	\$228	\$228
Buildings and leasehold improvements	1,359	1,358	1,354
Furniture, equipment and automobiles	617	646	613
Premises and equipment at cost	2,204	2,232	2,195
Less: accumulated depreciation	1,136	1,146	1,040
Total	\$1,068	\$1,086	\$1,155

NOTE 6 – NOTE PAYABLE TO AGBANK

The Association's indebtedness to AgBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement (GFA) which provides for a \$600.0 million line of credit. The GFA and promissory note are subject to periodic renewals in the normal course of business. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2010. Substantially all borrower loans are match-funded with AgBank. Payments and disbursements are made on the note payable to AgBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by AgBank based on the terms and conditions of the borrowing. The weighted average interest rate was 2.33 percent for the year ended December 31, 2010. The line of credit expires on April 30, 2011; however, the Association expects renewal of the line of credit. Upon expiration of the line of credit, undisbursed amounts available under the line of credit expire. So long as the Association is not in material default under the GFA, AgBank will continue to make advances (that do not exceed the amount payable under the promissory note) for undisbursed outstanding commitments on borrower loans which are not in default. The note payable to AgBank will continue until it has been fully discharged.

Under the Farm Credit Act, the Association is obligated to borrow only from AgBank, unless AgBank gives approval to borrow elsewhere. AgBank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2010, the Association's notes payable are within the specified limitations.

NOTE 7 – SHAREHOLDERS' EQUITY

Descriptions of the Association's capitalization, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

A. Stock and Participation Certificates

In accordance with the Farm Credit Act, each borrower is required to invest in the Association as a condition of borrowing. The borrower normally acquires ownership of the stock or participation certificates at the time the loan is made, but usually does not make a cash

investment. Generally, the aggregate par value of the stock is added to the principal amount of the related loan obligation. The Association has a first lien on the stock or participation certificates owned by its borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

Capitalization bylaws allow stock requirements to range from the lesser of one thousand dollars or 2.00 percent of the amount of the loan to 10.00 percent of the loan. The Board of Directors has the authority to change the minimum required stock level of a shareholder as long as the change is within this range. Currently, the Association has a stock requirement of the lesser of one thousand dollars or 2.00 percent of the amount of the loan.

B. Regulatory Capitalization Requirements and Restrictions

The FCA's capital adequacy regulations require the Association to maintain permanent capital of 7.00 percent of average risk-adjusted assets. Failure to meet the requirement can initiate certain mandatory and possibly additional discretionary actions by FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to shareholders unless the prescribed capital standard is met. The FCA regulations also require other additional minimum standards for capital be maintained. These standards require all System institutions to achieve and maintain ratios of total surplus as a percentage of average risk-adjusted assets of 7.00 percent and of core surplus (generally unallocated surplus) as a percentage of average risk-adjusted assets of 3.50 percent. At December 31, 2010, the Association's permanent capital ratio was 15.04 percent, total surplus ratio was 14.85 percent and core surplus ratio was 14.85 percent.

An existing regulation empowers FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. This regulation has not been utilized to date. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

C. Description of Equities

Each owner of Class C capital stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person

is eligible to hold voting stock.

At December 31, 2010, the Association had 242,378 shares of Class C common stock outstanding, all at a par value of \$5.00 per share.

The Association has the authority to issue other classes of stock, no shares of which are outstanding. The voting rights, duties and liabilities of such classes of stock are similar to those discussed above.

Losses that result in impairment of capital stock and participation certificates will be allocated to the classes of equity described above on a prorated basis. Upon liquidation of the Association, any assets remaining after the settlement of all liabilities will be distributed first to redeem the par value of equities. Any assets remaining after such distribution will be shared prorata by all stock and certificate holders of record immediately before the liquidation distribution.

D. Patronage

The Association paid \$2.5 million in January 2010, \$3.2 million in cash patronage in May 2009 and \$3.0 million in cash patronage in March 2008.

NOTE 8 – PATRONAGE DISTRIBUTION FROM AGBANK

The patronage distribution from AgBank was distributed in cash. Patronage paid by AgBank to the Association was \$419 in 2010, \$4 in 2009 and \$1.2 million in 2008.

NOTE 9 – EMPLOYEE BENEFIT PLANS

The employees of the Association may participate in the District's defined benefit pension plan (Pension Plan). The Pension Plan is noncontributory and covers a significant number of employees. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. As a participant in the District's defined benefit plan, the Association funded \$81 for 2010, \$106 for 2009 and \$298 for 2008, through its note payable to AgBank. Pension Plan expenses included in salaries and employee benefits expense were \$115 for 2010, \$141 for 2009 and \$43 for 2008. Additional financial information for the Pension Plan may be found in the District's Annual Report.

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical and Retiree Life Plans to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are

accrued during the period of the employee's active service. Postretirement benefits expense (primarily health care benefits and life insurance) included in salaries and employee benefits were \$5 for 2010, \$3 for 2009 and \$10 for 2008. During 2008, the life insurance benefit in the plan was funded by a one-time buy-out contribution with an insurance company resulting in income recognition of \$10 and additional cash contributions of \$35. Additional financial information for this plan may be found in the District's Annual Report.

The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan (Contribution Plan). The Contribution Plan has two components. Employees who do not participate in the Pension Plan may receive benefits through the Employer Contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employer contributions to these plans were \$130 for 2010 \$122 for 2009 and \$132 for 2008.

NOTE 10 – RELATED PARTY TRANSACTIONS

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

The Association has a policy that loans to directors and senior officers must be maintained at an Acceptable or Other Assets Especially Mentioned (OAEM) credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either Acceptable or OAEM within a year. If not, the director or senior officer must resign from the Board or employment.

Loan information to related parties for the years ended December 31 is shown below.

	2010	2009	2008
New loans	\$190	\$771	\$334
Repayments	\$258	\$630	\$591
Ending balance	\$3,602	\$3,670	\$3,273

In the opinion of management, none of the loans outstanding to officers and directors at December 31, 2010 involved more than a normal risk of collectibility.

The Association also has business relationships with certain other System entities. The Association paid \$228 in 2010, \$201 in 2009 and \$184 in 2008 to AgVantis for technology services.

NOTE 11 – REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest-rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount 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 contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2010, \$75,993 of commitments to extend credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Statement of Condition until funded or drawn upon. The credit risk associated with issuing commitments is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

With regard to contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

NOTE 13 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Association's financial instruments at December 31. Quoted market prices are generally not available for certain financial instruments, as described below. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The estimated fair values of the Association's financial instruments follow.

31-Dec	2010		2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Loans, net	\$599,363	\$602,981	\$611,124	\$615,405	\$552,174	\$562,896
Cash	\$41	\$41	\$34	\$34	\$63	\$63
Investment in AgBank	\$14,226	\$14,226	\$13,838	\$13,838	\$12,063	\$12,063
Financial liabilities:						
Note payable to AgBank	\$502,315	\$514,087	\$522,642	\$530,046	\$465,252	\$476,677
Advance conditional payments	\$577	\$577	\$603	\$603	\$765	\$765
Commitments to extend credit	\$-	\$-	\$-	\$ NA	\$-	\$ NA

NA - Not Available

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

A. Loans: Because no active market exists for the Association's loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. Since the discount rates are based on the Association's loan rates as well as management estimates, management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale.

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

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

B. Cash: The carrying value is a reasonable estimate of fair value.

C. Investment in AgBank: Estimating the fair value of the Association's investment in AgBank is not practicable because the stock is not traded. As described in Note 4, the investment is a requirement of borrowing from AgBank and is carried at cost plus allocated equities in the accompanying balance sheet. The Association owns 2.25 percent of the issued stock of AgBank as of December 31, 2010. As of that date, AgBank's assets total \$25.39 billion and shareholders' equity totaled \$1.37 billion. AgBank's earnings were \$136.6 million during 2010.

D. Notes payable to AgBank: The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets), which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current interest rate that would be charged for borrowings. For purposes of this estimate, it is assumed the cash flow on the notes payable is equal to the principal payments on the Association's loan receivables plus accrued interest on the notes payable.

E. Advance conditional payments: The carrying value is a reasonable estimate of fair value as these funds are held in cash.

F. Commitments to Extend Credit: The fair value of commitments reflects the estimated gain/(loss) assuming undrawn loan commitments are recorded as new loan volume on the fair value measurement date, and considers the difference between current levels of interest rates and the committed rates.

NOTE 14 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2010, 2009 and 2008, follow.

2010	First	Second	Third	Fourth	Total
Net interest income	\$3,682	\$3,833	\$3,795	\$3,980	\$15,290
Provision for loan losses	25	100	100	100	325
Noninterest (income)/expense, net	-44	800	893	1,053	2,702
Net income	\$3,701	\$2,933	\$2,802	\$2,827	\$12,263

2009	First	Second	Third	Fourth	Total
Net interest income	\$3,249	\$3,547	\$3,663	\$3,720	\$14,179
Provision for loan losses	20	145	15	200	380
Noninterest expense, net	1,082	1,028	1,039	1,245	4,394
Net income	\$2,147	\$2,374	\$2,609	\$2,275	\$9,405

2008	First	Second	Third	Fourth	Total
Net interest income	\$2,741	\$2,587	\$2,599	\$2,911	\$10,838
Provision for loan losses	25	–	–	–	25
Noninterest expense, net	546	547	604	961	2,658
Net income	\$2,170	\$2,040	\$1,995	\$1,950	\$8,155

NOTE 15 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 16, 2011, which is the date the financial statements were issued. In February 2011, the Association acquired property of \$8.2 million related to a dairy loan that was in nonaccrual status at \$8 million at December 31, 2010. There is a letter of intent from an interested party to purchase the property.

DISCLOSURE INFORMATION REQUIRED BY FARM CREDIT ADMINISTRATION REGULATIONS

(Amounts in Whole Dollars)

DESCRIPTION OF BUSINESS

The description of the territory served, persons eligible to borrow, types of lending activities engaged in and financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the financial statements, "Organization and Operations," included in this annual report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, required to be disclosed in this section, is incorporated herein by reference from "Management's Discussion and Analysis" (MD&A) included in this annual report to shareholders.

DESCRIPTION OF PROPERTY

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

Location	Description	Form of Ownership
1580 Ellis Street • Kingsburg, California	Administration Office	100% FLBA
1001 Third Street • Hanford, California	Hanford Branch Office	100% FLBA

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Information required to be disclosed in this section is incorporated herein by reference from Note 11 to the financial statements, "Regulatory Enforcement Matters," and Note 12 to the financial statements, "Commitments and Contingencies," included in this annual report to shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

Information required to be disclosed in this section is incorporated herein by reference from Note 7 to the financial statements, "Shareholders' Equity," included in this annual report to shareholders.

DESCRIPTION OF LIABILITIES

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 6 to the financial statements, "Note Payable to AgBank," included in this annual report to shareholders.

The description of advance conditional payments is incorporated herein by reference to Note 2 to the financial statements, "Summary of Significant Accounting Policies," to the financial statements, included in this annual report to shareholders.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Note 12 included in this annual report to shareholders.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2010, required to be disclosed in this section is incorporated herein by reference from the "Five-Year Summary of Selected Financial Data," included in this annual report to shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

"Management's Discussion and Analysis," which appears within this annual report to shareholders and is required to be disclosed in this section, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The following represents certain information regarding the directors and senior officers of the Association.

DIRECTORS

James L. Oliver – Director and Chairman of the Board

Term of Office: 2010-2013

A member of the Board since 1976, Mr. Oliver is a retired farmer from Fowler, CA. Mr. Oliver has farmed and lived in the area his entire life. He is also a director of the Nisei Farmers League.

Dean L. Jensen

Director and Vice Chairman of the Board and Compensation Committee Chairman

Term of Office: 2008-2011

Mr. Jensen has served on the Board since 1986. He is an irrigated field crop farmer in the Riverdale, CA area for nearly his entire adult life. Mr. Jensen is also a board member of the Riverdale Irrigation District and Kings River Water Association.

Stephen Brown – Director**Term of Office: 2009-2012**

Mr. Brown resides in Riverdale, CA and is a dairyman in the Riverdale area. Mr. Brown has been a member of the Board since 2009. He also serves as secretary of the Central Valley Dairy Representative Monitoring Program board.

Randall L. Flaming - Outside Director**Term of Office: 2009-2012**

Mr. Flaming farms tree fruit, alfalfa, and pomegranates. Mr. Flaming lives in the Reedley, CA area. He has been a member of the Board since 1998.

Michael Fry – Director & Audit Committee Chairman**Term of Office: 2010-2013**

Mr. Fry is Manager of Ag Operations for Olam Spices and Vegetables, Inc. He has been a member of the Board since 2006. Mr. Fry also farms tree fruit in a partnership with his brother in the Kingsburg, CA area.

Robert Reimer – Director**Term of Office: 2008-2011**

Mr. Reimer was elected to the Board in 2008. Mr. Reimer farms tree fruit and table grapes in the Dinuba, CA area. He also is the owner and president of Reimer Transport Inc., Weldon Trucking, Inc., and Bob Reimer Trucking, Inc. He is also a director of the Nisei Farmers League.

SENIOR OFFICERS

Scott Anderson – Mr. Anderson has served as President of the Federal Land Bank Association of Kingsburg since April 1, 2004. Prior to becoming President, Mr. Anderson served as Assistant Vice President/Marketing for the Association from June 2000 until April 2004. He was employed as a Financial Officer with Farm Credit Services of America in Algona, Iowa from January 1997 until June 2000. He was previously employed by the Federal Land Bank Association of Kingsburg from July 1989 until January 1997. Mr. Anderson also serves as Chairman of the Board of AgVantis.

Randy Tos – Mr. Tos has served as Senior Vice President and Chief Credit Officer since November, 2004. He previously was employed as Vice President/Assistant Branch Manager with Farm Credit West in Hanford from March 2004 until November 2004. Before going to Farm Credit West, Mr. Tos was employed as Branch Manager in Hanford for the Federal Land Bank Association

of Kingsburg from September 1986 until March 2004.

David Englebright – Mr. Englebright has served as Chief Financial Officer for the Association since 1991.

COMPENSATION OF DIRECTORS AND SENIOR OFFICERS

Directors of the Association were compensated for services on a per diem basis at the rate of \$500 per day and, in addition, a monthly fee of \$100, (\$250 for Chairman), for credit actions taken between board meetings and meeting preparation time. This compensation totaled \$66,000 in 2010. The Compensation and Audit Committee meetings were held in conjunction with the regular board meetings, so no additional compensation was paid to the directors for these meetings. Reimbursement for mileage was paid at \$0.50 per mile during 2010.

Additional information for each director is provided below.

	Number of Days Served at Board Meetings	Number of Days Served in Other Official Activities	Total Compensation Paid During 2010
James L. Oliver	12	13.5	\$15,750
Dean L. Jensen	11	2.5	7,950
Stephen Brown	12	11.5	12,950
Randall L. Flaming	12	8.0	11,200
Michael Fry	11	6.0	9,700
Robert Reimer	12	6.0	8,450
Total Compensation			\$66,000

Directors and senior officers are reimbursed for mileage, as well as documented business expenses while serving in an official capacity. The Association Board has adopted a policy which addresses the authorized purposes for which expense reimbursement is made to directors, officers, and employees of the Association. A copy of this policy is available to shareholders upon request. Aggregate reimbursements to directors, or paid directly to others, for travel, subsistence and other related expenses were \$30,139 in 2010, \$30,264 in 2009 and \$27,745 in 2008.

Information on the Chief Executive Officer (CEO) President's and senior officer compensation is provided below. The CEO's

CEO	Year	Salary	Annual Incentive Compensation	Long-Term Incentive	Deferred/Perquisite	Total
Scott Anderson	2010	\$183,309	\$21,875	\$25,000	\$43,359	\$273,543
Scott Anderson	2009	\$180,600	\$33,970	\$-	\$42,811	\$257,381
Scott Anderson	2008	\$172,000	\$33,000	\$-	\$45,039	\$250,039
Aggregate Number of Senior Officers	Year	Salary	Annual Incentive Compensation	Long-Term Incentive	Deferred/Perquisite	Total
5	2010	\$588,296	\$74,573	\$48,500	\$120,437	\$831,806
5	2009	\$587,100	\$115,020	\$-	\$123,952	\$826,072
5	2008	\$551,775	\$106,031	\$-	\$109,945	\$767,751

compensation is not included in the senior officer compensation.

All Association employees, including the above group of senior officers, are covered by the compensation plans described below. Additionally, all employees are covered by District-wide thrift and retirement plans described in Note 9 to the financial statements.

A. Base Salary: All officers and employees are paid a base salary that is primarily established by position class descriptions formulated by U.S. AgBank and adopted by the Association. Also, the officer's or employee's length of service, their performance, and competitive compensation factors are considered in establishing their base annual salary.

B. Incentive Compensation: All officers and employees participate in two separate incentive programs that are approved annually by the Association's Board of Directors. The first plan uses criteria based on new loan volume originated and Association profitability as measured by Return on Average Assets. The Plan year is the same as the calendar year and is paid out during the year earned. All employees also participate in an incentive based bonus program where each employee will have individual performance goals in which they can earn up to 5% of their base salary as a bonus. In addition to the two preceding Association-wide incentive programs, the Association has also adopted an Employee Retention Plan for certain key employees who remain with the Association for a defined period of time. The Retention Plan compensation is earned by the participating employee as of December 31st of the plan term with actual payout in the following calendar year.

Disclosure of information on total compensation paid during the last fiscal year to any senior officer is available to shareholders upon request.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section are incorporated herein by reference from Note 10 to the financial statements, "Related Party Transactions," included in this annual report to shareholders.

INVOLVEMENT OF SENIOR OFFICERS AND DIRECTORS IN CERTAIN LEGAL PROCEEDINGS

There were no matters which came to the attention of management or the Board of Directors regarding involvement of senior officers or current directors in specified legal proceedings which are required to be disclosed in this section.

BORROWER PRIVACY STATEMENT

Since 1972, Farm Credit Administration (FCA) regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without borrower consent. The Association does not sell or trade customers' personal information to marketing companies or information brokers. Additional information regarding FCA rules governing the disclosure of customer information can be obtained by contacting the Association.

RELATIONSHIP WITH INDEPENDENT AUDITORS

There were no changes in independent auditors since the prior annual report to shareholders and there were no material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

RELATIONSHIP WITH U.S. AGBANK, FCB (AGBANK)

The Association is materially affected by AgBank's financial condition and results of operations.

The Association's statutory obligation to borrow from AgBank is discussed in Note 6. Financial assistance agreements between the Association and AgBank are discussed in Note 7. Association requirement to invest in AgBank and AgBank's ability to access capital of the Association is discussed in Note 4 to the financial statements, "Investment in AgBank." AgBank's role in mitigating the Association's exposure to interest rate risk is discussed in the MD&A section – Liquidity.

AgBank is required to distribute its Annual Report to shareholders of the Association if a "significant event," as defined by FCA regulations occurs.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 16, 2011, and the Report of Management, appearing as part of this annual report to shareholders, are incorporated herein by reference.

AGBANK ANNUAL AND QUARTERLY REPORTS TO SHAREHOLDERS

The shareholders' investment in the Association is materially affected by the financial condition and results of operations of AgBank. Consequently, the Association's annual and quarterly reports should be read in conjunction with AgBank's Annual and Quarterly Reports to Shareholders. Quarterly reports are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. A copy of these reports may be obtained free upon request from the Association. The Association is located at 1580 Ellis Street, Kingsburg, California 93631 or may be contacted by calling (559) 897-5814. The reports may also be obtained free of charge by visiting AgBank's website at www.usagbank.com.

FEDERAL LAND BANK ASSOCIATION OF KINGSBURG, FLCA

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Kingsburg, California 93631
Telephone: (559) 897-5814

HANFORD BRANCH OFFICE

1001 Third Street
Hanford, California 93230
Telephone: (559) 584-5401

BOARD OF DIRECTORS

James L. Oliver, Chairman - Fowler
Mike Fry, Audit Committee Chairman - Kingsburg
Dean L. Jensen, Compensation Committee Chairman - Riverdale
Stephen Brown – Riverdale
Bob Reimer - Dinuba
Randall L. Flaming - Reedley

STAFF

Scott Anderson
President and Chief Executive Officer

Sandra Flores
Loan Officer

Randy Tos
Senior Vice President and Chief Credit Officer

Vanessa Renwick
Loan Officer/MIS Coordinator

David Englebright
Chief Financial Officer

Denise Hinojosa
Operations Assistant

Dave Lehrman, ARA
Appraisal Manager

Jenilee Harrell
Administrative Assistant/Appraisal Support

Stacy Serpa
Operations Manager

Juli Bakker
Credit Support Specialist

Mike Rico
Assistant Vice President - Hanford Branch Manager

Mary Ann Haley
Operations Assistant, Hanford

Gary Davis
Assistant Vice President – Senior Loan Officer

Andrea Clark
Credit Analyst

John Lehrman
Assistant Vice President – Senior Loan Officer

Susan Der Manouel, ARA
Senior Appraiser





FEDERAL LAND BANK ASSOCIATION OF KINGSBURG

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A part of the
Farm Credit System