



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial position and consolidated results of operations of FCS Financial, ACA and its subsidiaries. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. You should also read our 2008 annual report for a description of our organization, operations and significant accounting policies.

AgriBank FCB's financial condition and results of operations materially affect shareholders' investment in FCS Financial, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact us at 1934 East Miller Street, Jefferson City, Missouri 65101, (573) 635-7956, or via e-mail at jeffersoncitymo@myfcsfinancial.com or visit us on the web at www.myfcsfinancial.com. You may also contact AgriBank, FCB at 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank, FCB's website at www.agribank.com.

Loan Portfolio

Loan volume totaled \$2.2 billion at March 31, 2009, an \$11.5 million increase from December 31, 2008. Loan volume increased due to our continued focus on customer satisfaction, effective marketing, competitive interest rates and continued participation activity.

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

	M a r c h 31 2009	December 31 2008
As of:		
Loans:		
Accruing restructured	\$ 931	\$962
Past due 90 days or more still accruing	882	927
Nonaccrual	<u>69,290</u>	51,624
Total risk loans	71,103	53,513
Other property owned	<u>349</u>	605
Total risk assets	<u>\$ 71,452</u>	\$54,118
Risk loans as a % of total loans	3.2%	2.5%
Total delinquencies as a % of total loans	1.6%	10%

Our risk assets have increased from December 31, 2008, and the increase is primarily due to the challenging economic conditions facing our customers. However, risk assets remain at acceptable levels.

In April 2009, we acquired a portion of our nonaccrual volume, representing our participation interest in certain ethanol loans. This nonaccrual volume at March 31, 2009 totaled \$20.8 million. The acquired properties are held in limited liability corporations formed by the lenders for that purpose.

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

The increase in nonaccrual loans was due to continued pressure on the agribusiness section of our portfolio. Despite the increase in nonaccrual loans, total risk loans as a percentage of total loans remains well within our established risk management guidelines. The volume of nonaccrual loans remained at an acceptable level at March 31, 2009, and represented 3.2% of our total portfolio. At March 31, 2009, 92.6% of our nonaccrual loans were current.

The credit quality of our portfolio has declined since December 31, 2008. Adversely classified assets increased from 3.5% of the portfolio at December 31, 2008, to 6.1% of the portfolio at March 31, 2009. Adversely classified assets are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In some circumstances, we use various governmental guarantee programs to reduce the risk of loss. At March 31, 2009, \$124.1 million of our loans were, to some level, guaranteed under these governmental programs.

In general, 2009 began with favorable weather conditions. Conditions were generally on the dry side and limited days of extreme temperatures. The mild winter conditions were favorable for livestock producers and reduced feeding requirements. Grain prices continued to fluctuate during the first quarter. The wheat crop is coming out of dormancy in good condition. The adverse weather patterns in 2008 caused a large carryover of crop insurance claims/losses to be worked through during the first quarter. Most grain producers ended 2008 with adequate income. Livestock and dairy producers continue to struggle. Low prices and higher feed costs are causing operating losses. Fertilizer and fuel costs are lower than the highs of 2008, but remain at levels causing concern over profitability for most enterprises.

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, portfolio quality and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

	M a r c h 31 2009	December 31 2008
Allowance as a percentage of:		
Loans	0.5%	0.2%
Nonaccrual loans	15.9%	9.7%
Total risk loans	15.5%	9.4%

The current challenging economic conditions have added additional stress in our loan portfolio. We have increased our general allowance in anticipation of additional losses due to these events.

Results of Operations

Net income for the three months ended March 31, 2009 totaled \$5.7 million compared to \$10.6 million for the same period of 2008. The following table illustrates profitability information:

As of March 31	2009	2008
Return on average assets	1.0%	1.7%
Return on average members' equity	5.8%	12.0%

The following table summarizes the changes in components of net income for the three months ended March 31, 2009 compared to March 31, 2008 (in thousands):

Increase (decrease) in net income	2009 vs 2008
Net interest income	(\$ 1,893)
Provision for loan losses	(6,000)
Patronage income	1,908
Financially related services and miscellaneous income, net	1,008
Operating expenses	(976)
Provision for income taxes	1,063
Total change in net income	(\$ 4,890)

Net interest income was \$14.2 million for the three months ended March 31, 2009. The following table quantifies changes in net interest income for the three months ended March 31, 2009 compared to March 31, 2008 (in thousands):

Change in net interest income	2009 vs 2008
Changes in volume	(\$ 2,121)
Changes in rates	334
Changes in nonaccrual income and other	(106)
Net change	(\$ 1,893)

The change in the provision for loan losses is related to the current economic conditions and the expectation of future losses as a consequence of the continued stress on our portfolio. The increase in patronage income is primarily related to sale of a participation interest in real estate loans to AgriBank. The increase in financially related services and miscellaneous income, net is primarily due to increased premiums on multi-peril crop insurance. The operating expense increases were primarily related to salaries and benefits. The change in provision for income taxes is related to a decrease in income on our taxable entity.

Changes in our return on average assets and return on average members' equity are directly related to the changes in income discussed above, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Capital section below.

Funding, Liquidity and Capital

We borrow from AgriBank, FCB in the form of a line of credit. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Total members' equity increased \$4.7 million from December 31, 2008, due to net income for the period and it was offset by patronage

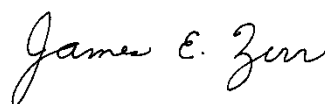
distribution accruals and a decrease in capital stock and participation certificates.

Farm Credit Administration Regulations require us to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7% and a core surplus ratio of at least 3.5%. The calculation of these ratios according to Farm Credit Administration Regulations is discussed below:

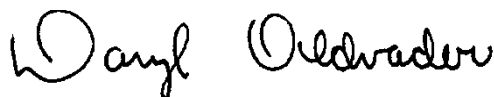
- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At March 31, 2009, our ratio was 13.2%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At March 31, 2009, our ratio was 12.8%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank, FCB divided by average risk-adjusted assets. At March 31, 2009, our ratio was 12.8%.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained above and the changes in assets as further discussed in the Loan Portfolio section.

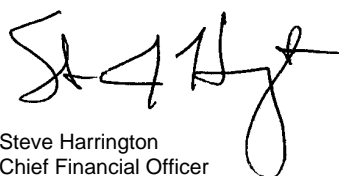
The undersigned certify they have reviewed FCS Financial, ACA's March 31, 2009 quarterly report and it has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



James E. Zerr
Chairperson of the Board
FCS Financial, ACA



Daryl Oldvader
Chief Executive Officer
FCS Financial, ACA



Steve Harrington
Chief Financial Officer
FCS Financial, ACA

April 30, 2009

CONSOLIDATED STATEMENT OF CONDITION

FCS Financial, ACA

(Dollars in thousands)

(Unaudited)

	March 31 2009	December 31 2008
ASSETS		
Loans	\$ 2,170,780	\$ 2,159,320
Allowance for loan losses	11,005	5,032
Net loans	2,159,775	2,154,288
Investment in AgriBank	81,661	82,157
Investment securities	--	--
Accrued interest receivable	22,528	23,924
Premises and equipment, net	10,977	10,942
Other property owned	349	605
Assets held for lease, net	--	--
Net deferred income tax asset	912	--
Other assets	10,392	11,632
Total assets	\$ 2,286,594	\$ 2,283,548
LIABILITIES		
Note payable to AgriBank	\$ 1,876,472	\$ 1,866,071
Accrued interest payable	13,455	17,032
Net deferred income tax liability	--	421
Patronage distribution payable	915	4,020
Other liabilities	6,708	11,678
Total liabilities	1,897,550	1,899,222
MEMBERS' EQUITY		
Protected members' equity	31	35
Capital stock and participation certif	10,869	10,896
Unallocated surplus	378,144	373,395
Total members' equity	389,044	384,326
Total liabilities and members' equity	\$ 2,286,594	\$ 2,283,548

CONSOLIDATED STATEMENT OF INCOME

FCS Financial, ACA

(Dollars in thousands)

(Unaudited)

	2009	2008
Period ended March 31		
Interest income	\$ 27,669	\$ 39,846
Interest expense	13,476	23,760
Net interest income	14,193	16,086
Provision for loan losses	6,000	--
Net interest income after provision for loan losses	8,193	16,086
Other income		
Compensation income	30	29
Patronage income	3,334	1,427
Financially related services and miscellaneous income, net	1,433	425
Total other income	4,797	1,881
Operating expense		
Salaries and employees benefits	4,216	3,732
Other operating	3,845	3,353
Total operating expenses	8,061	7,085
Income before income taxes	4,929	10,882
Provision for income taxes	(741)	322
Net income	\$ 5,670	\$ 10,560

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

FCS Financial, ACA

(Dollars in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2007	\$ 48	\$ 10,573	\$ 336,580	\$ 347,201
Net income	--	--	10,560	10,560
Earnings reserved for patronage distribution	--	--	(998)	(998)
Capital stock/participation certificates issued	--	374	--	374
Capital stock/participation certificates retired	(1)	(276)	--	(277)
Balance at March 31, 2008	\$ 47	\$ 10,671	\$ 346,142	\$ 356,860
Balance at December 31, 2008	\$ 35	\$ 10,896	\$ 373,395	\$ 384,326
Net income	--	--	5,670	5,670
Earnings reserved for patronage distribution	--	--	(921)	(921)
Capital stock/participation certificates issued	--	273	--	273
Capital stock/participation certificates retired	(4)	(300)	--	(304)
Balance at March 31, 2009	\$ 31	\$ 10,869	\$ 378,144	\$ 389,044

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Organization and Significant Accounting Policies

Our 2008 annual report contains a description of our organization and operations, significant accounting policies followed, and financial condition and results of operations as of and for the year ended December 31, 2008. You should read these unaudited first quarter 2009 consolidated financial statements in conjunction with the 2008 annual report.

The accompanying consolidated financial statements contain all information necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and the prevailing practices within the financial services industry. The results of the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the year ended December 31, 2009.

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

Effective January 1, 2009, we adopted FSP No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures, but did not have an impact on our financial condition or results of operations.

NOTE 2: Allowance for Loan Losses

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

Three months ended March 31	2009	2008
Balance at beginning of year	\$ 5,032	\$ 1,309
Provision for loan losses	6,000	--
Loan recoveries	8	67
Loan chargeoffs	(36)	(46)
Balance at end of period	\$ 11,004	\$ 1,330

The current challenging economic conditions have added additional stress in our loan portfolio. We have increased our general allowance in anticipation of additional losses due to these events.

The following table presents information concerning risk loans (in thousands)::

As of March 31	2009	2008
Volume with specific reserves	\$ 23,376	\$ 388
Volume without specific reserves	47,727	7,870
Total risk loans	\$ 71,103	\$ 8,258
Total specific reserves	\$ 7,764	\$ 198

The change in risk loans reflects the current challenging economic conditions. Continued stress in various segments of our portfolio have led us conclude that additional losses are probable, which have resulted in additional specific reserves being recorded.

Income on risk loans is as follows:

For the three months ended March 31	2009	2008
Income on accrual risk loans	\$ 22	\$ 160
Income on nonaccrual loans	28	87
Total income on risk loans	\$ 50	\$ 247
Average recorded investment	\$ 62,308	\$ 7,317

NOTE 3: Contingencies

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

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

NOTE 4: Fair Value Measurements

We do not have any assets or liabilities measured at fair value on a recurring basis. Assets measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy levels are summarized below (in thousands).

	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
Assets:					
Loans *	\$0	\$6,906	\$8,706	\$15,612	(\$7,764)
Other property owned	--	349	--	349	--

*Represents the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying real estate collateral. The fair value market measurement process uses independent appraisals and other market-based information. As a result, these fair value measurements fall within Level 2 of the hierarchy. In many cases fair value is based on significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Valuation Techniques

As more fully discussed in Note 2 to the 2008 Annual Report to Stockholders, SFAS No. 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for our assets. For a more complete description, see Notes 2 and 13 to the 2008 Annual Report.

Loans: For certain loans evaluated for impairment under SFAS No. 114, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. These loans are generally classified as Level 2.

Other Property Owned: Other property owned is generally classified as Level 2. The fair value is based upon the collateral less estimated costs to sell.