2007
ANNUAL REPORT

IDAHO AGRICULTURAL CREDIT ASSOCIATION

and its wholly owned subsidiaries

Idaho AgCredit, FLCA
Idaho AgCredit, PCA

"Agriculture's Premier Lender"

IDAHO AGRICULTURAL CREDIT ASSOCIATION

2007 ANNUAL REPORT

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SCHEDULE OF DIRECTORS, OFFICERS, AND STAFF

BOARD OF DIRECTORS

Raymond G. Parks, Chairman ....Blackfoot
Kenneth S. Black .... Burley
Keith S. Hinckley ....Blackfoot
W. Brock Driscoll ....Aberdeen

Mark R. Ricks, Vice Chairman ....Felt
Scott R. Giltner ....Jerome
Twain S. Hayden ....Arbon

OFFICERS

Dan Allred............................... President, CEO and CCO
Greg Rose .... Vice President
Marc Fonnesbeck.................................... Vice President

Jim Chase .... Secretary and CFO
Adam C. Jensen........................Assistant Vice President

STAFF

Headquarters-Blackfoot
Nelson C. Cooper, Jr. .... Internal Auditor
Ryan Funk .... Computer Programmer
Leslie Stephens................Operations Support Specialist
Ingrid Denning .... Operations Assistant

Blackfoot Branch
Greg Rose ....Branch Manager
Katie Wallace ....Loan Officer
Leisa Cushman .... Operations Assistant

Rexburg Branch
Marc Fonnesbeck.................................Branch Manager
Doug Eck..Loan Officer
Kirk Powell..Loan Officer
Sean Zaugg..Loan Officer
Carrie Mackert .... Operations Assistant
Tina Morton .... Operations Assistant

American Falls Branch
Adam C. Jensen...................................Branch Manager
Stan Taysom ....Loan Officer
Craig Hepworth ....Loan Officer
Maxine Olson .... Operations Assistant
Kim Dean....................................... Operations Assistant

IDAHO AGRICULTURAL CREDIT ASSOCIATION
December 31, 2007

REPORT OF MANAGEMENT

The financial statements of the Idaho Agricultural Credit Association (the Association) are prepared by management, which 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 and under the oversight of the Audit Committee (comprised of all board members), and in the opinion of management, fairly present the financial condition and results of operations of the Association.

To meet its 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 that assets are safeguarded and that transactions are properly authorized and recorded. The systems have been designed to provide the information to facilitate the recognition of costs in relation to benefits derived. To monitor compliance, the Association's Internal Auditor, the U.S. AgBank, Farm Credit Bank of Wichita, Kansas (AgBank) and an independent accounting firm perform reviews of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate.

The 2007 financial statements of Idaho Agricultural Credit Association were audited by Galusha, Higgins & Galusha, certified public accountants (CPAs), who also conducted a review of the accounting records and such other auditing procedures as they considered necessary to comply with generally accepted auditing standards. A copy of their report is presented later in this report.

The activities of the Association are also reviewed by the Farm Credit Administration (FCA), and certain actions of the Association are subject to approval by AgBank. Certain actions of AgBank are also subject to FCA approval. The Annual Report of AgBank is available upon request.

The Board of Directors and Audit Committee have overall responsibility for the Association's systems of internal control and financial reporting. In connection with this obligation, each consults regularly with management and periodically reviews the scope and results of work performed by the CPAs. The CPAs also have direct access to the Board of Directors and Audit Committee.

The undersigned hereby certify that this report has been reviewed by the undersigned, 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 the undersigned's knowledge and belief.

Raymond G. Parks
Raymond G. Parks,
Board Chairman and
Audit Committee Chairman

Dan Allred
Dan Allred,
President and CEO

Jim Chase
Jim Chase
Secretary and CFO

February 20, 2008

IDAHO AGRICULTURAL CREDIT ASSOCIATION
December 31, 2007

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) is composed of the entire Board of Directors of Idaho Agricultural Credit Association (Association). In 2007, ten Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside accountants, 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. In addition, the Committee approved the appointment of Galusha, Higgins & Galusha, PC (GH&G) as the Association's independent accountant for 2007. The Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. GH&G 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 audited consolidated financial statements for the year ended December 31, 2007 (the "Audited Financial Statements") with management and GH&G. The Committee also reviews with GH&G the matters required to be discussed by Statement on Auditing Standards No. 114, as amended (Communication With Those Charged With Governance), and both GH&G and the Association's internal auditor directly provide reports on significant matters to the Committee.

The Committee receives the written disclosures and the letter from GH&G in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and discusses with GH&G its independence from the Association. The Committee also reviewed the non-audit services provided by GH&G and concluded these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and GH&G such other matters and received such assurances from them as the Committee deemed appropriate.

The fees paid for 2007 auditing services are contracted to not exceed $20,300 for audit services and $4,400 for tax services and non-audit services. All audit and non-audit services with CPAs were contracted by and approved by the Audit Committee. Non-audit services include calculation of the fair value of financial instruments, calculation of deferred income taxes, and preparation of federal and state income taxes.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Audited Financial Statements in the Association's Annual Report to Stockholders for the year ended December 31, 2007.

Raymond G. Parks
Chairman of the Audit Committee

Mark R. Ricks	Twain S. Hayden
Kenneth S. Black	Keith S. Hinckley
W. Brock Driscoll	Scott R. Giltner

Audit Committee Members

IDAHO AGRICULTURAL CREDIT ASSOCIATION
FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(Dollars in thousands)

	December 31				
Statement of Condition Data	**2007**	2006	2005	2004	2003
Loans	**$ 133,359**	$ 118,557	$ 125,541	$ 130,164	$ 123,133
Less allowance for loan losses	**393**	405	387	390	2,594
Net loans	**132,966**	118,152	125,154	129,774	120,539
Cash and investment securities	**912**	1,118	546	438	529
Accrued interest receivable	**3,175**	3,075	2,695	2,417	2,216
Investment in U.S. AgBank, FCB	**9,483**	9,483	9,139	8,853	8,596
Other property owned	**0**	388	0	0	0
Other assets	**653**	742	952	865	1,382
Total assets	**$ 147,189**	$ 132,958	$ 138,486	$ 142,347	$ 133,262
Obligations with maturities of one year or less	**$ 111,724**	$ 74,711	$ 82,500	$ 88,997	$ 87,371
Obligations with maturities longer than one year	**697**	25,504	26,238	23,688	20,470
Total liabilities	**$ 112,421**	$ 100,215	$ 108,738	$ 112,685	$ 107,841
Capital stock and participation certificates	**255**	240	241	2,614	2,427
Allocated retained earnings	**0**	0	0	0	0
Unallocated retained earnings	**34,513**	32,766	29,984	27,411	23,342
Accumulated other comprehensive income/(loss)	**0**	(263)	(477)	(363)	(348)
Total shareholders' equity	**$ 34,768**	$ 32,743	$ 29,748	$ 29,662	$ 25,421
Total liabilities and shareholders' equity	**$ 147,189**	$ 132,958	$ 138,486	$ 142,347	$ 133,262

	For the Year Ended December 31				
Statement of Income Data	**2007**	2006	2005	2004	2003
Net interest income	**$ 4,125**	$ 4,432	$ 4,448	$ 4,204	$ 3,781
Patronage distribution from U.S. AgBank, FCB	**823**	766	621	386	192
(Provision for) or Reversal of loan losses	**13**	30	16	2,207	(20)
Noninterest expense, net	**(2,091)**	(2,422)	(2,349)	(2,226)	(2,699)
(Provision for) or Benefit from income taxes	**(56)**	(24)	(163)	(502)	(126)
Gains (or Losses) from extraordinary items	**0**	0	0	0	0
Net income/(loss)	**$ 2,814**	$ 2,782	$ 2,573	$ 4,069	$ 1,128

Key Financial Ratios	**2007**	2006	2005	2004	2003
For The Year					
Return on average assets	**2.08%**	2.11%	1.91%	3.05%	0.91%
Return on average shareholders' equity	**8.23%**	9.01%	9.01%	15.15%	4.63%
Net interest income as % of average earning assets	**3.40%**	3.83%	3.73%	3.50%	3.40%
Net charge-offs/(recoveries) as % of avg net loans	**0.00%**	(0.04%)	(0.01%)	(0.00%)	(0.00%)
At Year End					
Shareholders' equity as a percentage of total assets	**23.62%**	24.63%	21.48%	20.84%	19.08%
Debt as a ratio to shareholders' equity	**3.23:1**	3.06:1	3.66:1	3.80:1	4.24:1
Allowance for loan losses as a percentage of loans	**0.29%**	0.34%	0.31%	0.30%	2.11%
Permanent capital ratio (avg)	**26.05%**	25.45%	21.56%	19.22%	17.77%
Core surplus ratio (avg)	**20.11%**	19.68%	16.64%	12.89%	11.32%
Total surplus ratio (avg)	**25.85%**	25.24%	21.36%	17.18%	15.84%

Net Income Distribution	**2007**	2006	2005	2004	2003
Cash patronage distributions					
Cash patronage declared payable	**$ 1,068**				

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

INTRODUCTION
The following discussion summarizes the financial position and results of operations of Idaho Agricultural Credit Association for the year ended December 31, 2007. Comparisons to prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that are reasonably likely to impact our financial condition and results of operation. You should read these comments along with the accompanying financial statements, footnotes and other sections of this report. We have reclassified certain amounts in prior years' financial statements to conform to current financial statement information. The Management's Discussion and Analysis includes the following sections:

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

Our annual reports to shareholders are available on our website, www.idahoagcredit.com, or our annual and quarterly reports may be obtained free of charge by calling (208) 785-1510 or by sending your request in writing to P.O. Box 985, Blackfoot, ID 83221. Annual reports are available on our website within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

BUSINESS OVERVIEW
Farm Credit System Structure and Mission
We are one of about 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 to credit-worthy individuals and businesses. 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. The territory served extends across a diverse agricultural region of 24 counties in south and east Idaho and two counties in Wyoming. The counties in our territory are listed in Note 1 of the accompanying financial statements. We make production and intermediate-term loans for agricultural production or operating purposes and long-term real estate mortgage loans to farmers, ranchers, rural residents and agribusinesses. Additionally, we provide other related services to our borrowers. Our success begins with our extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we can 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 U.S. AgBank Annual Report to Shareholders, the U.S. AgBank District Annual Report to Shareholders and the AgBank and AgBank District's quarterly reports are available on AgBank's web site, www.usagbank.com, or may be obtained at no charge by contacting the AgBank Administrative office, 245 North Waco, P.O. Box 2940, Wichita, Kansas 67201-2940, or by calling (800) 322-9880. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

We purchase technology and other operational services from AgVantis, which is a technology service corporation. We purchase payroll and other human resources services from Farm Credit Foundations.

ECONOMIC OVERVIEW
During 2007, economic conditions in our region were positively affected by favorable commodity prices for major commodities financed including potatoes, wheat, barley, and hay. Sugar beet prices were down and have moved from favorable to moderately profitable. Cattle and milk prices are down from the prior year but remain profitable. Higher costs for energy, fertilizers and related items have increased the break-even costs substantially for most operators. Also, sudden increases in grain markets due to nationwide demand for corn for ethanol have lead to higher seed costs, and all input suppliers seem to be looking at this as an opportunity to raise their prices which will ultimately offset much of the higher grain prices.

(Dollars in thousands)

Supplies of both surface and ground irrigation water were sufficient to irrigate the crops to maturity, but year end reservoir levels are below average. Ongoing water rights issues and suits between pumpers and surface water users include annual review by the State of Idaho Department of Water Resources and assessment of whether some pumping may be cut off or reduced, but current projections indicate there should be adequate water for 2008 crops. The Idaho Legislature is also considering options for building more long-term stability into how water is made available in drought years when there might not be enough surface water to satisfy the needs of some priority water rights owners.

Prime interest rates through the first 8 months of 2007 were stable at 8.25%, and then Prime rate decreased three times prior to year end to end the year at 7.25%. Global concern over losses in the U.S. sub-prime mortgage market and other U.S. recessionary factors have lead to some dramatic swings in financial markets, as evidenced by an additional 1.25% in Prime rate cuts in January 2008, resulting in a Prime rate of 6.00%. The Prime rate changes that came late in 2007 did not materially affect earnings, but the overall 2.25% decrease in Prime from September 2007 until January 31, 2008 will definitely reduce earnings on the Association's retained funds in 2008. On the other hand, lower interest rates will improve profitability of farm operating loans which should help to offset the uncertainty in rising input costs. Long term interest rates have experienced some overall decreases. The Association passed these interest rate changes on to borrowers who had prime-based and/or variable interest rate loans.

Real estate prices have remained strong and there has been a significant amount of real estate turnover in the last couple of years, which is reflected in higher mortgage loan volume. It is currently too early to tell if there is a market adjustment looming in farm real estate due to recent financial market volatility, but the overall sense is that farm real estate is accurately priced and there will not be any significant adjustments to farm real estate values in the near future.

Net income was strong and primarily reflects the strong economic success of the Association's customers and continued earnings on the Association's own loanable funds, and record patronage allocations from AgBank due to higher overall loan volume and continued strong earnings at AgBank as a result of a strong overall agricultural economy.

LOAN PORTFOLIO

Total loan volume was $133,359 at December 31, 2007, an increase of $14,802 or 12.5%, from loans at December 31, 2006 of $118,557, and an increase of $7,818, or 6.2%, from loans at December 31, 2005, of $125,541. The increase in loans from 2006 was due to successful marketing efforts and the overall improved economic conditions for the farmers and ranchers the Association finances. The types of loans outstanding at December 31 are reflected in the following table.

	2007		2006		2005	
	Volume	**Percent**	Volume	Percent	Volume	Percent
Production agriculture:						
Real estate mortgage	**$ 73,253**	**54.9%**	$ 65,412	55.2%	$ 67,594	53.8%
Production and intermediate-term	**56,253**	**42.3%**	51,957	43.8%	56,823	45.3%
Agribusiness:		**0.0%**				
Processing and marketing	**2,842**	**2.1%**	380	0.3%	546	0.4%
Farm related business	**955**	**0.7%**	808	0.7%	578	0.5%
Rural residential real estate	**56**	**0.0%**	0	0.0%	0	0.0%
Total	**$ 133,359**	**100.00%**	$ 118,557	100.0%	$ 125,541	100.0%

The Association currently has no loans to cooperatives and no communication, energy, aquatic, water/waste disposal, international, or lease receivable loans.

In 2007, real estate mortgage volume increased to $73,253 compared to $65,412 at year-end 2006, primarily due to successful marketing and requests for new loans. These loans are used to purchase, refinance or improve real estate, and have maturities ranging from 5 to 40 years. Real estate mortgages are also made to non-farm rural homeowners. By law, real estate mortgage loans must be secured by first liens and may be made only in amounts up to 85 percent of the original appraised value of the property or up to 97 percent of appraised value if guaranteed by certain state, federal, or other governmental agencies. Refer to Note 3 of the Notes to the Financial Statements for more detail.

Production and intermediate-term loan volume in 2007 increased to $56,253, compared to $51,957 at year-end 2006, primarily due to successful marketing and higher input costs experienced by borrowers. This increase is net of participations sold, and thus doesn't reflect about $6,000 in additional production borrowing which was participated to other Associations as part of the Association's risk management strategies. Production loans are used to finance the ongoing operating needs of agricultural producers. Production loans are most often written for a period of time that matches the borrower's normal production and marketing cycle, which is typically 12 months. Intermediate-term loans are typically used to finance depreciable capital assets of a farm or ranch and are written for a specific term of 1 to 15 years with most loans not exceeding 10 years.

Processing and marketing loans increased to $2,842 in 2007 compared to $380 at year-end 2006 primarily due to additional processing and marketing loans being made. Farm related business loan volume increased to $955 compared to $808 at year-end 2006 primarily due to normal loan activity. The types and amounts of purchased loan interests did not change materially in 2007, and are described more completely under loan portfolio diversification below.

(Dollars in thousands)

There can be considerable seasonal variation in loan volume due to the timing and amounts of disbursements and repayments on operating loans.

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 from other System entities to generate additional earnings and in some cases 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. The volume of participations purchased and sold as of December 31 follows.

	2007	2006	2005
Participations purchased	**$ 11,843**	$ 11,357	$ 12,383
Participations sold	**$ 24,856**	$ 19,237	$ 17,262

The geographic distribution of loans by county are shown below as of December 31 (loans we purchase are shown in "Other").

County (in Idaho unless denoted)	**2007**	2006	2005
Bannock	**$ 23**	$ 0	$ 13
Bear Lake	**103**	149	206
Bingham	**28,179**	30,438	34,553
Blaine	**0**	0	63
Bonneville	**5,920**	5,248	3,537
Butte	**2,180**	2,839	2,282
Camas	**49**	46	40
Caribou	**5,421**	4,935	4,945
Cassia	**1,540**	1,679	2,844
Clark	**298**	343	123
Custer	**2,461**	1,727	1,968
Franklin	**0**	4	0
Fremont	**13,660**	13,258	14,138
Gooding	**1,357**	540	571
Jefferson	**20,872**	13,879	9,401
Jerome	**5,638**	3,958	4,687
Lemhi	**346**	382	409
Lincoln	**993**	1,095	1,258
Madison	**13,445**	11,703	12,138
Minidoka	**1,711**	1,832	1,742
Power	**13,345**	10,242	10,971
Teton	**1,534**	1,783	5,989
Twin Falls	**5,518**	4,346	4,581
Lincoln and Teton counties, Wyoming	**0**	0	0
Other (outside of Idaho)	**8,766**	8,131	9,082
Totals	**$ 133,359**	$ 118,557	$ 125,541

Bingham County has a large concentration of potatoes and sugar beets, which require extensive capital. Fremont and Madison Counties also have a large concentration of potato acreage. Power County has large concentrations of potatoes, grain and sugar beet acreages. Jefferson county volume increased significantly in 2007 due to new mortgage loans marketed in that area.

The following table shows the Association's percentage of average loan volume attributable to the gross sales of the primary agricultural commodities produced by our borrowers as of December 31.

	2007	2006	2005
Potatoes	**32.0%**	31.7%	31.2%
Grain (wheat, malt and feed barley)	**18.2%**	19.6%	20.3%
Cash Rent	**10.3%**	11.9%	8.4%
Milk and dairy cattle	**7.2%**	8.9%	9.2%
Beef cattle	**7.0%**	6.9%	8.0%
Sugar beets	**6.7%**	6.1%	6.6%
Other	**18.6%**	14.9%	16.3%
Total	**100.0%**	100.0%	100.0%

Our loan portfolio contains a concentration of potato and grain producers. Repayment ability of our borrowers is closely related to the production and the 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 the industry economics. While we are committed to maintaining sound credit quality, our future performance would be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities impacted and the magnitude and duration of the adverse agricultural conditions to our borrowers.

In addition to commodities, diversification is also achieved from loans to rural residents and part-time farmers which typically derive most earnings from nonagricultural sources. These borrowers are less subject to agricultural cycles and would likely be more affected by weaknesses in the general economy. The percentage of loan volume derived from nonagricultural sources for the years 2005 through 2007 is insignificant.

Small loans (less than $250 thousand) accounted for 26.4% of loan volume at December 31, 2007. Credit risk on small loans, in many instances, is reduced by non-farm income sources. The table below details the loans by dollar size of principal outstanding as of December 31, 2007.

(Range in thousands)	**Amount Outstanding**	**Number of Loans**
$1 - $250	$ 35,263	541
$251 - $500	26,946	76
$501 - $1,000	23,939	37
$1,001 - $5,000	47,211	28
$5,001 - $25,000	0	0
$25,001 - $100,000	0	0
Total	$ 133,359	682

Approximately 80% of our loan volume is attributable to 67 borrowers. 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.

Although we are eligible to enter into agreements with Federal Agricultural Mortgage Corporation (Farmer Mac) for long-term standby commitments to purchase loans, as of December 31, 2007 we did not have any such agreements. We are also eligible to originate loans for Farmer Mac, but have not done so in the last three years.

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 and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. The following table summarizes the commitment expiration distribution of unfunded credit commitments on loans at December 31, 2007.

	Less than 1 Year	**1 - 3 years**	**4 - 5 years**	**Over 5 years**	**Total**
Commitments to extend credit	$ 17,531	$ 17,681	$ 931	$ 546	$ 36,689
Standby letters of credit	0	0	0	0	0
Commercial and other letters of credit	0	0	0	0	0
Total commitments	$ 17,531	$ 17,681	$ 931	$ 546	$ 36,689

(Dollars in thousands)

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 contractual amounts are not reflected on the Statement of Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit 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, restructured, 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. Year-end comparative information regarding high risk assets in the portfolio, including accrued interest, follows.

	2007	2006	2005
Nonaccrual loans:			
Production agriculture:			
Real estate mortgage loans	**$ 1**	$ 37	$ 1,515
Production & intermediate-term loans	**272**	394	841
Total nonaccrual loans	**273**	431	2,356
Accruing restructured loans	**0**	0	0
Accruing loans 90 days past due	**0**	0	0
Total impaired loans	**273**	431	2,356
Other property owned	**0**	388	0
Total high risk assets	**$ 273**	$ 819	$ 2,356
Nonaccrual loans to total loans	**0.20%**	0.36%	1.88%
Impaired loan to total loans	**0.20%**	0.36%	1.88%
High risk assets to total loans	**0.20%**	0.69%	1.88%
High risk assets to total shareholders' equity	**0.79%**	2.50%	7.92%

Total high risk assets decreased $546 to $273 at December 31, 2007 compared with year-end 2006. High risk asset volume is anticipated to increase in the future because it is rare to have the current combination of exceedingly high credit quality and low high risk assets, which have been brought on largely by improved economic conditions in agriculture over the past few years.

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of principal and/or interest. Nonaccrual volume decreased $158 compared with December 31, 2006 due to reductions as a result of repayments without any additional loans being classified as nonaccrual. At December 31, 2007, 3 customers had nonaccrual loans with a book value, and 1 of these customers had more than 90% of the total nonaccrual volume.

The following table provides additional information on nonaccrual loans as of December 31.

	2007	2006	2005
Nonaccrual loans current as to principal and interest	**$ 27**	$ 128	$ 544
Cash basis nonaccrual loans	**$ 0**	$ 0	$ 0
Restructured loans in nonaccrual status	**$ 0**	$ 0	$ 0

For the years presented, there were neither cash basis nonaccrual loans nor restructured loans in nonaccrual status.

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. Included in other assets on the Consolidated Statement of Condition, we had other property owned of $0 on December 31, 2007, compared to $388 on December 31, 2006. The change in other property owned is due to the sale of all other owned property during 2007.

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 Farm Credit 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.

(Dollars in thousands)

- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

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

	2007	2006	2005
Acceptable	**96.94%**	95.28%	93.98%
OAEM	**1.90%**	3.25%	3.66%
Substandard	**0.98%**	1.22%	2.14%
Doubtful	**0.18%**	0.25%	0.22%
Loss	**0.00%**	0.00%	0.00%
Total	**100.00%**	100.00%	100.00%

During 2007, overall credit quality improved. Loans classified as "Acceptable" or "OAEM" were 98.84% at December 31, 2007 and 98.53% at December 31, 2006. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans increased but remained at a low level of 0.15% percent at December 31, 2007, compared with zero percent at December 31, 2006.

The financial position of most agricultural producers has strengthened during the past decade. With borrowers' strengthened financial positions and the continued emphasis on sound underwriting standards, the credit quality of our loan portfolio has remained strong. While credit quality is anticipated to remain sound in 2008, we expect that less favorable agricultural economic conditions would lead to some slight weakening in the loan portfolio.

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, 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 provides relevant information regarding the allowance for loan losses as of December 31.

	2007	2006	2005
Balance at beginning of the year	**$ 406**	$ 387	$ 390
Charge-offs:			
Production agriculture:			
Real estate mortgage	**0**	0	0
Production & intermediate-term loans	**0**	0	0
Agribusiness:			
Processing & marketing	**0**	0	0
Farm related business	**0**	0	0
Total charge-offs	**$ 0**	$ 0	$ 0
Recoveries:			
Production agriculture:			
Real estate mortgage	**0**	0	0
Production & intermediate-term loans	**0**	49	13
Agribusiness:			
Processing & marketing	**0**	0	0
Farm related business	**0**	0	0
Total recoveries	**$ 0**	$ 49	$ 13
Net charge-offs/(recoveries)	**$ 0**	**$ 49**	**$ 13**
(Loan loss reversal)/Provision for loan losses	**(13)**	(30)	(16)
Nonrecurring loan loss reversal			
Balance at December 31	**$ 393**	$ 406	$ 387
Net charge-offs/(recoveries) to average net loans	**0.00%**	(0.04%)	(0.01%)

(Dollars in thousands)

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

	2007	2006	2005
Production agriculture:			
Real estate mortgage	**$ 45**	$ 47	$ 38
Production & intermediate-term loans	**348**	359	349
Agribusiness:			
Processing & marketing	**0**	0	0
Farm related business	**0**	0	0
Rural residential real estate	**0**	0	0
Total	**$ 393**	$ 406	$ 387

The allowance for loan losses decreased $13 from December 31, 2006 to $393 at December 31, 2007. The decrease in allowances consisted of approximately $100 collected on a nonaccrual loan subject to a specific allowance, partially offset by increases due to changing unsecured loans to a less favorable loss given default collateral rating and treating the probability of default of government guaranteed loans as though there was no guarantee in order to be more consistent with how these loans are treated by other AgBank associations. Overall, charge-off activity remains very low relative to the size of our loan portfolio. Comparative allowance for loan losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 is shown in the following table.

	2007	2006	2005
Allowance as a percentage of:			
Loans	0.29%	0.34%	0.31%
Total impaired loans	144.09%	94.11%	16.44%
Nonaccrual loans	144.09%	94.11%	16.44%

Young, Beginning and Small Farmers and Ranchers Program

As part of the Farm Credit System, we are committed to providing sound and constructive credit to young, beginning and small (YBS) farmers and ranchers. Our YBS Mission Statement is "To reliably, consistently and constructively serve the credit and related needs of young, beginning, small and minority farmers and ranchers through specifically designed credit programs and services. When necessary, private or governmental guarantees will be used to expand the number of young, beginning and small farmers and ranchers that the Association serves." 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 our loan portfolio (comparisons based on borrower numbers) as of December 31. The USDA column represents the percent of farmers and ranchers classified as YBS within our territory per the 2002 USDA Agricultural Census, which is the most current data available. A borrower may be included in more than one category.

	2007	2006	2005	USDA
Young	**22.31%**	22.34%	21.88%	6.65%
Beginning	**17.69%**	16.62%	15.24%	29.61%
Small	**34.10%**	35.42%	40.72%	88.82%

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.

Status report on above goals:

- The Association continues to offer hail insurance and credit life insurance products to meet the needs of YBS farmers and ranchers.
- The Association has maintained an excellent relationship with the Farm Service Agency (FSA). We presently have 12.12% of our portfolio under FSA guarantees. This program has proven to be very effective in allowing the

Association to serve YBS farmers and ranchers.
- Association representatives met with FFA and college classes.
- The Association supplied FFA manuals at a discounted cost and supports youth through the purchase of livestock at county and state fairs.
- The Association has arranged scholarship programs totaling $9,000 per year with the University of Idaho, Utah State University and BYU-Idaho.
- The Association has approved special loan underwriting standards for lending to YBS borrowers.

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.
- Loan volume and loan number goals for YBS farmers and ranchers in our territory.
- Percentage goals representative of the demographics of YBS farmers and ranchers in our territory.
- Percentage goals for loans made to new borrowers qualifying as YBS farmers and ranchers in our territory.

The Association met its loan activity goals by number in the young and beginning categories but did not meet the number goal for small loans. The loan activity goals by volume were met. We met our number and volume goals for all three categories to first time borrowers. We met our number and volume goals for young and beginning loans as a percentage of total loans. However, the small loans as a percentage of total loans did not meet Association goals. The demographic goals were essentially met for young and beginning farmers, but not for small farmers. The demographic goals for minority farmers were met.

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 utilize customized loan underwriting standards, loan guarantee programs, fee waiver programs, or other credit enhancement programs. Additionally, we are actively involved in developing and sponsoring educational opportunities, leadership training, business financial training and insurance services for YBS farmers and ranchers.

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 (including 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 developed and utilized to determine an applicant's operational, financial, and management resources available for repaying debt within the term 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 – including 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 further restricts individual loan size limits to one borrower to 15% of permanent capital, except for certain loans grandfathered with size limits in place prior to the implementation of AgBank's delegation limit. Within these limits, we have set our own lending limit to manage loan concentration. Lending limits are established for individual loan size, commodity and special lending programs.

We have established internal lending delegations to control the loan approval process. Delegations to staff are based on our risk-bearing ability, loan size, complexity, type and risk, as well as the expertise of the credit staff. Larger and more complex loans 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 lending which must be secured by a first lien. Production and intermediate-term lending accounts for most of the remaining volume and is typically secured. Collateral evaluations are made within 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 evaluator. Certain appraisals must be performed by individuals with a state certification or license.

We implemented a two-dimensional risk rating process in 2005. With this process, each retail loan is assigned a probability of default rating (1-14 scale) indicating the likelihood of a borrower defaulting in the next twelve months and a collateral rating which is based on an estimate of the anticipated loss on each loan, should the borrower default in the next 12 months. This process is also utilized in loan and portfolio management processes which include allowance for loan losses estimates. The process provides more risk granularity, particularly related to acceptable loans, than classifications under the Uniform Classification System (UCS).

(Dollars in thousands)

RESULTS OF OPERATIONS

Earnings Summary

In 2007, we recorded net income of $2,814, compared with $2,782 in 2006, and $2,573 in 2005. The increase in net income of $32 in 2007, compared with 2006, followed an increase of $209 in 2006, compared with 2005. The 2007 increase in net income was primarily due to loan volume increases, higher AgBank Patronage, holding the line on overall operating expenses, one-time income from the sale of acquired property and partial collection of a nonaccrual loan. Although net interest income decreased by $307, this doesn't reflect that nonaccrual income decreased by $536, and thus net interest income other than nonaccrual net interest income actually increased by $229. Similarly, noninterest expense decreased by $310, but the gain in other property sold of $293 accounts for most of this, leaving $17 in normal noninterest expense reductions. The following table presents the changes in the significant components of net income at year end.

	2007 vs. 2006	2006 vs. 2005
Net income, prior year	**$ 2,782**	$ 2,573
Changes from prior year:		
Increased/(Decreased) interest income	**(152)**	913
(Increased)/Decreased interest expense	**(155)**	(930)
Increased/(Decreased) net interest income	**(307)**	(17)
(Increased)/Decreased loan loss reversal	**(17)**	14
Increased/(Decreased) noninterest income	**77**	156
(Increased)/Decreased noninterest expense	**310**	(83)
(Increased)/Decreased provision for income taxes	**(31)**	139
Total (decrease)/increase in net income	**32**	209
Net income, current year	**$ 2,814**	$ 2,782

Net Interest Income

Net interest income for 2007 was $4,125 compared with $4,432 for 2006 and $4,448 for 2005. The table below provides an analysis of the individual components of the change in net interest income during 2007 and 2006.

	2007 vs. 2006	2006 vs. 2005
Net interest income, prior year	**$ 4,432**	$ 4,448
Increase/(Decrease) in net interest income from changes in:		
Interest rates earned and paid	**(183)**	(112)
Interest credits on investment in AgBank	**0**	0
Volume of accruing assets/interest bearing liabilities	**412**	26
Interest income on nonaccrual loans	**(536)**	70
Total (decrease)/increase in net interest income	**(307)**	(16)
Net interest income, current year	**$ 4,125**	$ 4,432

The following table illustrates the average interest rates on net interest margin, loans and debt cost, and interest rate spread for the year ended December 31.

	2007	2006	2005
Net interest margin	**3.40%**	3.83%	3.73%
Interest rate on:			
Average loan volume	**7.69%**	7.71%	6.78%
Average debt	**5.45%**	5.29%	4.06%
Interest rate spread	**2.24%**	2.42%	2.72%

The net interest margin decreased 43 basis points from last year while the interest rate spread decreased 18 basis points. The net interest margin decreased more than the interest rate spread because it includes the effect of reduced nonaccrual interest income ($111 in 2007 compared to $647 in 2006 and 577 in 2005). The competitive environment for loans has resulted in the narrowing of loan spreads over the past several years.

Provision for Loan Losses/(Loan Loss Reversals)

We review 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 necessary based on our assessment of the probable losses in our loan portfolio. We recorded a net loan loss reversal of $13 for the year ended December 31, 2007, compared with loan loss reversals of $30 in 2006 and $16 in 2005. The net loan loss reversal recorded during 2007 was primarily due to the reduction of the specific allowance on one nonaccrual loan as a result of collection efforts, offset by increases to the allowance for loan losses as a result of increased average loan volume, a change to how the probability of default was shown on guaranteed loans and a change to how unsecured loans are assessed in our calculation of loan loss allowances.

(Dollars in thousands)

Noninterest Income

For the year ended December 31, 2007, we recorded noninterest income of $913, compared with $836 in 2006 and $682 in 2005. Patronage distributions from AgBank are our primary source of noninterest income. The components of the patronage from AgBank are reflected in the following table.

	2007	2006	2005
Cash Patronage	**$ 823**	$ 422	$ 334
Stock Patronage	**0**	344	287
Stock Allocation	**0**	0	0
Total Patronage from U.S. AgBank	**$ 823**	$ 766	$ 621

Noninterest income also includes loan fees, financially related services income and captive insurance income. Loan fees in 2007 were $46, an increase of $13, from $33 in 2006 primarily due to an increase in new mortgage loans.

Noninterest Expense

Noninterest expense for the year ended December 31, 2007, decreased $310, or 12.44%, to $2,181 compared with $2,491 in 2006. Significant components of noninterest expense are compared in the following table.

				Percent of Change	
	2007	2006	2005	**2007/2006**	2006/2005
Salaries and employee benefits	**$ 1,737**	$ 1,752	$ 1,744	(0.9%)	0.5%
Occupancy & equipment	**85**	84	83	1.2%	1.2%
Supervisory & examination costs	**56**	61	60	(8.2%)	1.7%
Data processing services	**12**	35	32	(65.7%)	9.4%
Other	**412**	365	397	12.9%	(8.1%)
Total operating expense	**$ 2,302**	$ 2,297	$ 2,316	0.2%	(0.8%)
Losses(Gains) on other property owned, net	**(282)**	35	0	(905.7%)	
Farm Credit Insurance Fund Premium	**161**	159	63	1.3%	152.4%
Financial Assistance Corporation debt assessment	**0**	0	31	0.0%	(100.0%)
Total noninterest expense	**$ 2,181**	$ 2,491	$ 2,410	(12.4%)	3.4%

Salaries and benefits in 2007 were lower due to fewer employees. Other property owned was sold in 2007. Insurance Fund premium increased $2 in 2007 due to increased loan volume, and $96 in 2006 due to the premium rate being increased from 5 basis points in 2005 to 15 basis points in 2006 and 2007. The debt of the Financial Assistance Corporation matured in June 2005. Note 12 of the Notes to Financial Statements provides more details related to the Financial Assistance Corporation.

Provision for income taxes

We recorded $56 in provision for income taxes during 2007, compared with $24 in 2006 for the taxable earnings of the Idaho AgCredit, PCA.

LIQUIDITY RISK MANAGEMENT

Liquidity is necessary to meet our financial obligations in an orderly manner. Obligations that require liquidity include paying our note with AgBank, funding loans and other commitments and funding operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction and liquidate nonearning assets. We anticipate liquidity levels will be adequate to meet our obligations.

Funding Sources

Our primary source of liquidity is the ability to obtain funds for 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, 2008 in accordance with normal business practices. The annual average principal balances of the note payable to AgBank were $97,351 in 2007, $97,394 in 2006, and $103,931 in 2005.

(Dollars in thousands)

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 investment. AgBank's primary source of funds is the ability to issue Systemwide Debt Securities to investors through the Federal Farm Credit Bank Funding Corporation.

Interest Rate Risk
The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with AgBank and 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 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 from the impact of interest rate changes on earnings generated from our loanable funds. To stabilize earnings from loanable funds, we have committed a portion of excess funds with AgBank at a fixed rate as a part of AgBank's Earnings Stabilization Management Program (ESMP). This enables us to stabilize earnings without significantly increasing our overall interest rate risk position.

The weighted average remaining term of our funds committed to the ESMP program in total is limited to a maximum of 1.7 years. The balance of the ESMP commitments and the average interest rate as of December 31, 2007 in the various maturities follow.

	Balance	Average Rate
Maturing in 1 year or less	$ 3,000	3.41%
Maturing in 1 to 3 years	4,500	3.50%
Maturing in over 3 years	0	0.00%
Total	$ 7,500	3.46%

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 investment 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 built capital through net income earned and retained. Shareholders' equity at December 31, 2007 totaled $34,768, compared with $32,743 at December 31, 2006 and $29,748 at December 31, 2005. Capital includes stock purchased by our borrowers and retained earnings accumulated through net income. Our capital position is reflected in the following ratio comparisons as of December 31.

	2007	2006	2005
Debt to shareholders' equity	**3.23:1**	3.06:1	3.66:1
Shareholders' equity as a percent of net loans	**26.15%**	27.71%	23.77%
Shareholders' equity as a percent of assets	**23.62%**	24.63%	21.48%

Debt to shareholders' equity increased and shareholders' equity as a percent of loans and of total assets decreased from 2006 to 2007 primarily due to increases in loan volume.

- There are no material commitments to purchase capital assets.
- There are no material trends or changes in the mix and cost of debt and capital resources.
- There are no material favorable or unfavorable trends in capital resources.
- There are no trends, commitments, contingencies or events that are reasonably likely to have a material adverse effect upon the adequacy of available risk funds.

Retained Earnings
Our retained earnings increased $1,746 to $34,513 at December 31, 2007 from $32,767 at December 31, 2006. The increase was a result of net income of $2,814, partially offset by $1,068 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 dividends are based on business done with us during the year. We declared patronage distributions of $1,068 for 2007, which was the first year of the patronage program.

(Dollars in thousands)

Stock
Our total stock and participation certificates increased $15 to $255 at December 31, 2007, from $240 at December 31, 2006. The increase was due to $135 of stock issuances, partially offset by $120 of stock retirements. We require a stock or participation certificate investment for each borrower, with the exception of Sales Contracts and Participations Purchased. The current initial investment requirement is the lesser of one thousand dollars or 2.0% of the amount of the borrower's combined loan volume.

Accumulated Other Comprehensive Income and Losses (OCI)
Certain employees participate in a non-qualified Defined Benefit Pension Restoration Plan (Plan). On December 31, 2007, the Association adopted SFAS No. 158 as it relates to the Plan which requires recognition of the Plan's unamortized actuarial gains and losses and prior service costs or credits as a liability with an offsetting adjustment to OCI, net of tax. During 2007, the OCI related to the unfunded portion of a qualified pension plan was transferred to the District combined financial statements in conjunction with adoption of SFAS No. 158 at the District level.

Capital Plan and Regulatory Requirements
Our Board of Directors establishes a formal capital adequacy plan that addresses capital targets 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:

- 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.

	2007	2006	2005	Regulatory Minimum
Permanent capital ratio	**26.05%**	25.45%	21.56%	7.00%
Total surplus ratio	**25.85%**	25.24%	21.36%	7.00%
Core surplus ratio	**20.11%**	19.68%	16.64%	3.50%

As of December 31, 2007, we exceeded the regulatory minimum and are expected to do so throughout 2008. 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, 2007, we have exceeded our ratio goal, but not our dollar goal. The board has established a plan of retaining an amount of earnings each year until the dollar goal is reached. Due to our strong capital position, we will continue to be able to retire at-risk stock.

REGULATORY MATTERS
As of December 31, 2007, we had no enforcement actions in effect and FCA took no enforcement actions on us during the year.

In November 2006, the FCA Board approved a rule that amends existing regulations relating to our disclosure and reporting requirements. The final rule includes revisions that, among other things:

- require Associations with total assets over $1 billion to include an assessment of their internal control over financial reporting in their annual reports;
- reduce reporting filing deadlines with the FCA to 40 and 75 calendar days for our quarterly and annual reports; and,
- revise regulations with respect to auditor independence and rotation, non-audit services and fees paid to the independent auditors.

The filing deadline changes are effective with the year-end 2007 annual report. On July 12, 2007, the FCA Board adopted a proposed rule that would allow System institutions 90 days after the end of the year to prepare and distribute paper copies of their annual reports to shareholders. Each institution would be required to file electronic copies of the reports with FCA and post the report to its website within 75 days. The assessment of internal controls over financial reporting is effective January 1, 2008 with the first disclosure in the 2008 annual report.

LITIGATION
Legal actions are pending against the Association in which claims for money damages are asserted. Information required to be disclosed in this section is incorporated herein by reference from Note 15, Commitments and Contingencies, included in this

Annual Report to shareholders.

GOVERNANCE

Board of Directors

We are governed by a seven member board that oversees the management of our Association. Of these directors, five are elected by the stockholders and two are appointed by the elected directors. The Board of Directors represents the interests of our stockholders. The Board of Directors meets regularly to perform the following functions, among others:

- selects, evaluates and compensates the chief executive officer;
- establishes the strategic plan and approves annual operating plan and budget;
- oversees the lending operations;
- advises and counsels management on significant issues we face; and,
- oversees the financial reporting process, communications with stockholders 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 serve as Board members. However, we are a financial service cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

Directors who are 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 a 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 is responsible for assisting the Board. The committee is composed of all members of the Board. During 2007, 10 meetings were held. The audit committee responsibilities include, but are not limited to:

- the hiring of independent auditors;
- the 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 and auditing matters.

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 have implemented 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

This 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-related, 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,
- actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements are reported in conformity with 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 consolidated financial statements. The following is a summary of certain critical policies.

Allowance for Loan Losses

The allowance for loan losses is our best estimate of the amount of probable 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 periodic 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 portfolios 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 Note 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 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.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Idaho Agricultural Credit Association

We have audited the accompanying consolidated balance sheets of Idaho Agricultural Credit Association, a federally chartered institution, (the Association) as of December 31, 2007, 2006, and 2005, and the related statements of income, changes in members' equity, and cash flows for the years then ended. 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 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Idaho Agricultural Credit Association as of December 31, 2007, 2006, and 2005, and the results of their operation and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 5 – 18 and the Disclosure Information on pages 37 – 40 is not a required part of the basic financial statements but is supplementary information required by Farm Credit Administration Regulations. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Galusha, Higgins & Galusha, P.C.

GALUSHA, HIGGINS & GALUSHA, P.C.
Certified Public Accountants

Idaho Falls, Idaho
February 7, 2008

Idaho Agricultural Credit Association
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	December 31		
	2007	2006	2005
ASSETS			
Loans	**$ 133,359,144**	$ 118,557,420	$ 125,541,243
Less allowance for loan losses	**393,012**	405,790	387,308
Net loans	**132,966,132**	118,151,630	125,153,935
Cash	**912,458**	1,118,119	546,176
Accrued interest receivable	**3,175,330**	3,075,371	2,695,126
Investment in U.S. AgBank, FCB	**9,483,310**	9,483,310	9,139,210
Premises and equipment, net	**187,052**	175,843	243,032
Other property owned	**0**	387,975	0
Deferred tax asset	**327,100**	448,800	469,400
Other assets	**137,922**	117,482	239,039
Total assets	**$ 147,189,304**	$ 132,958,530	$ 138,485,918
LIABILITIES			
Note payable to U.S. AgBank, FCB	**$ 107,146,748**	$ 97,341,928	$ 105,831,599
Advance conditional payments	**2,826,266**	1,208,994	1,149,656
Accrued interest payable	**437,012**	402,043	358,806
Patronage distributions payable	**1,068,110**	0	0
Pension liability	**463,134**	838,005	1,043,825
Other liabilities	**480,487**	424,495	354,223
Total liabilities	**112,421,757**	100,215,465	108,738,109
Commitments and Contingencies (See Notes)			
SHAREHOLDERS' EQUITY			
Capital stock and participation certificates	**254,780**	239,995	240,920
Allocated retained earnings	**0**	0	0
Unallocated retained earnings	**34,512,767**	32,766,507	29,984,038
Accumulated other comprehensive income/(loss)	**0**	(263,437)	(477,149)
Total shareholders' equity	**34,767,547**	32,743,065	29,747,809
Total liabilities and shareholders' equity	**$ 147,189,304**	$ 132,958,530	$ 138,485,918

The accompanying notes are an integral part of these financial statements

Idaho Agricultural Credit Association
CONSOLIDATED STATEMENT OF INCOME

	For the Year Ended December 31		
	2007	2006	2005
INTEREST INCOME			
Loans	**$ 9,430,227**	$ 9,582,181	$ 8,668,544
Other	**0**	0	0
Total interest income	**9,430,227**	9,582,181	8,668,544
INTEREST EXPENSE			
Note payable to U.S. AgBank, FCB	**5,172,935**	5,068,851	4,195,299
Advance conditional payments	**132,493**	81,691	25,521
Total interest expense	**5,305,428**	5,150,542	4,220,820
Net interest income	**4,124,799**	4,431,639	4,447,724
(Provision for) or Reversal of loan losses	**12,779**	30,040	16,461
Net interest income after loan loss (provision)/reversal)	**4,137,578**	4,461,679	4,464,185
NONINTEREST INCOME			
Patronage distribution from U.S. AgBank, FCB	**822,739**	766,425	620,808
Loan fees	**45,812**	32,950	23,691
Financially related services income	**26,037**	20,318	24,341
Other noninterest income	**18,528**	16,124	12,847
Total noninterest income	**913,116**	835,817	681,687
NONINTEREST EXPENSE			
Salaries and employee benefits	**1,737,094**	1,751,636	1,744,217
Occupancy and equipment	**83,902**	84,277	82,712
Farm Credit Insurance Fund premium	**160,762**	158,814	63,255
Financial Assistance Corporation debt assessment	**0**	0	30,867
Supervisory and examination costs	**55,803**	61,380	60,251
Data processing services	**12,240**	34,555	32,400
Losses/(Gains) on other property owned, net	**(281,541)**	34,602	0
Other noninterest expense	**412,413**	365,343	396,111
Total noninterest expense	**2,180,673**	2,490,607	2,409,813
Income/(loss) before income taxes	**2,870,021**	2,806,889	2,736,059
(Provision for)/Benefit from income taxes	**(55,648)**	(24,420)	(163,078)
Net income/(loss)	**$ 2,814,373**	$ 2,782,469	$ 2,572,981

The accompanying notes are an integral part of these financial statements

Idaho Agricultural Credit Association
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2004	$ 2,614,070	$ 27,411,057	$ (363,335)	$ 29,661,792
Comprehensive income				
Net income		2,572,981		2,572,981
Minimum pension liability adjustment			(113,814)	(113,814)
Total comprehensive income				2,459,167
Stock issued	364,120			364,120
Stock retired	(2,737,270)			(2,737,270)
Balance at December 31, 2005	$ 240,920	$ 29,984,038	$ (477,149)	$ 29,747,809
Comprehensive income				
Net income		2,782,469		2,782,469
Minimum pension liability adjustment			213,712	213,712
Total comprehensive income				2,996,181
Stock issued	119,140			119,140
Stock retired	(120,065)			(120,065)
Balance at December 31, 2006	$ 239,995	$ 32,766,507	$ (263,437)	$ 32,743,065
Comprehensive income				
Net income		2,814,373		2,814,373
Minimum pension liability adjustment		(3)	263,437	263,434
Total comprehensive income				3,077,807
Stock issued	135,005			135,005
Stock retired	(120,220)			(120,220)
Patronage distributions:				
Cash		(1,068,110)		(1,068,110)
Allocated retained earnings				
Balance at December 31, 2007	**$ 254,780**	**$ 34,512,767**	**$ 0**	**$ 34,767,547**

The accompanying notes are an integral part of these financial statements

Idaho Agricultural Credit Association
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES:	**2007**	2006	2005
Net income	**$ 2,814,373**	$ 2,782,469	$ 2,572,981
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	**57,318**	56,002	57,427
(Loan loss reversal)/Provision for loan losses	**(12,779)**	(30,040)	(16,461)
Patronage stock from U.S. AgBank, FCB	**0**	(344,100)	(286,510)
Carrying value adjustment on property owned	**(6,557)**	(906)	8,181
Non-accrual interest income on transfer to owned property	**0**	(437,420)	(278,102)
(Gains)/Losses on sales of other property owned	**(281,541)**	0	0
Other, net	**0**	10,844	0
Change in assets and liabilities:			
(Increase)/Decrease in deferred tax asset	**15,500**	57,400	1,100
(Increase)/Decrease in accrued interest receivable	**(99,959)**	(380,245)	0
(Increase)/Decrease in other assets	**(20,470)**	121,557	(53,339)
Increase/(Decrease) in accrued interest payable	**34,969**	43,237	115,943
Increase/(Decrease) in postretirement benefits	**(5,234)**	(28,908)	95,734
Increase/(Decrease) in other liabilities	**55,992**	70,272	(18,583)
Total adjustments	**(262,761)**	(862,307)	(374,610)
Net cash provided by/(used in) operating activities	**2,551,612**	1,920,162	2,198,371
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase)/Decrease in loans, net	**(14,801,725)**	7,032,345	4,636,252
(Increase)/Decrease in investment in U.S. AgBank, FCB	**30**	0	0
Purchases of premises and equipment	**(68,527)**	(3,700)	(102,258)
Proceeds from sales of premises and equipment	**6,557**	2,118	3,329
Proceeds from sales of other property owned	**669,516**	52,276	0
Net cash provided by/(used in) investing activities	**(14,194,149)**	7,083,039	4,537,323
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayment of)/draw on note payable to U.S. AgBank, FCB	**9,804,820**	(8,489,671)	(4,888,771)
Increase/(Decrease) in advance conditional payments	**1,617,271**	59,338	634,631
Capital stock and participation certificates retired	**(120,220)**	(120,065)	(2,737,270)
Capital stock and participation certificates issued	**135,005**	119,140	364,120
Cash patronage distributions paid			
Net cash provided by/(used in) financing activities	**11,436,876**	(8,431,258)	(6,627,290)
Net (decrease)/increase in cash	**(205,661)**	571,943	108,404
Cash at beginning of year	**1,118,119**	546,176	437,772
Cash at end of year	**$ 912,458**	$ 1,118,119	$ 546,176
SUPPLEMENTAL CASH INFORMATION:			
Cash paid/(received) during the year for:			
Interest	**$ 5,270,460**	$ 5,107,305	$ 4,104,877
Income taxes	**81,460**	67,014	(167,312)
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Financed sales of other property owned	**$ 0**	$ 0	$ 0
Loans transferred to other property owned	**0**	0	0
Net charge-offs/(recoveries)	**0**	(48,522)	(13,937)
Premises and equipment acquired under capital leases	**0**	0	0
Patronage distributions payable	**1,068,110**	0	0
Change in other comprehensive income/(loss)	**263,437**	213,712	(113,814)

The accompanying notes are an integral part of these financial statements

Idaho Agricultural Credit Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATIONS

A. **Organization:** Idaho Agricultural Credit Association and its subsidiaries Idaho AgCredit, PCA and Idaho AgCredit, FLCA, (collectively called "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 Idaho counties of Bannock, Bear Lake, Blaine, Bingham, Bonneville, Butte, Camas, Caribou, Cassia, Clark, Custer, Franklin, Fremont, Gooding, Jefferson, Jerome, Lemhi, Lincoln, Madison, Minidoka, Oneida, Power, Teton, and Twin Falls, and that part of Owyhee County commencing at the southwest corner of Twin Falls County, Idaho, thence west along the north boundary line of the state of Nevada, to the southwest corner of Section Thirty-four, Township Sixteen South, Range Seven East, Boise Meridian, thence north to the northwest corner of Section Three, Township Ten South, Range Seven East, Boise Meridian, thence east to the boundary line of Twin Falls County, Idaho, thence south to the point of beginning; and in the state of Wyoming, all of Teton county and that portion of Lincoln county north of the forty-second parallel.

The Association is a lending institution of the Farm Credit System (the 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). The most recent significant amendment to the Farm Credit Act was the Agricultural Credit Act of 1987. At December 31, 2007, the System was comprised of four Farm Credit Banks, one Agricultural Credit Bank and about 90 associations.

U.S. AgBank, FCB (AgBank) and 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, 2007, the District consisted of AgBank, 26 Agricultural Credit Association (ACA) parent companies, which each have two wholly owned subsidiaries, (a Federal Land Credit Association (FLCA) and a Production Credit Association (PCA)), three FLCAs and AgVantis.

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 the associations and certain actions by the associations are subject to the prior approval of the FCA and/or AgBank.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (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 is required to pay premiums into the Insurance Fund based on its annual average loan principal outstanding until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as two percent of the aggregate insured obligations (Systemwide debt obligations) or such other percentage of the aggregate amount as the Insurance Corporation in its sole discretion determines is actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, but it still must ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount. AgBank passes this premium expense through to the Association based on the Association's annual average loan volume.

B. **Consolidation**: Effective July 1, 2002, Idaho AgCredit, PCA and Idaho AgCredit, FLCA were formed and became wholly owned subsidiaries of the Idaho Agricultural Credit Association when it was formed as an ACA parent entity. The consolidation was approved by the previous associations' boards of directors and shareholders, AgBank, and FCA. The accompanying financial statements include the consolidated accounts and results of operations for all entities.

C. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services which can be offered 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, rural residents and farm-related businesses.

The Association also serves as an intermediary in offering credit life insurance and crop insurance.

The Association's financial condition may be impacted by factors affecting AgBank. Certain District expenses are allocated to the associations. Based on this fact, disclosure of certain accounting policies related to these costs is included in the District's Annual Report. The AgBank District Annual Report to Shareholders (District's Annual Report) is available on its web site, www.usagbank.com; or 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 of the Insurance Corporation.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform with 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 management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these footnotes as applicable. Actual results may differ from these estimates. Certain amounts in prior years' financial statements have been reclassified to conform to the current financial statement presentation.

The consolidated financial statements include the accounts of Idaho Agricultural Credit Association and its wholly owned subsidiaries, Idaho AgCredit, PCA and Idaho AgCredit, FLCA. All significant inter-company transactions have been eliminated in consolidation.

A. **Loans and Allowance for Loan Losses:** Long-term real estate mortgage loans generally have 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 less unearned income. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

   Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan. 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 instrument 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 as the result of past due status, is collected or otherwise discharged in full.

   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 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 investment asset balance or charged against the allowance for loan losses (if accrued in prior years).

   When loans are in nonaccrual status, loan payments are generally applied against the recorded investment in the loan asset. Nonaccrual loans may, at times, be maintained on a cash basis. Generally, cash basis refers to the recognition of interest income from cash payments received on certain nonaccrual loans for which the collectability 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 payments are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected and the loan is not classified Doubtful or Loss.

   Loans are charged-off, wholly or partially, as appropriate, at the time they are determined to be uncollectible.

   Loan origination fees and direct loan origination costs are expensed as incurred. This treatment does not result in a material difference versus capitalizing such costs where the net fee or cost is amortized over the life of the related loan as an adjustment to yield.

   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 based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition and prior loan loss experience. It is based on estimates, appraisals and evaluations of loans which, by their nature, contain elements of uncertainty and imprecision. The possibility exists that changes in the economy and its impact on borrower repayment capacity will cause these estimates, appraisals and evaluations to change.

B. **Cash:** Cash, as included in the financial statements, represents cash on hand and on deposits at banks.

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% of average direct loan volume, net of excess investment. During March 2007, AgBank issued preferred stock and reduced our required investment in AgBank from 6.25 percent to 5.00 percent effective April 2007. We did not receive a cash redemption for this transaction; however, the then excess investment in AgBank was transferred from required investment to excess investment, both of which are included in Investment in AgBank on the Consolidated Statement of Condition. 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 operations. Maintenance and repairs are charged to operating expense and improvements are capitalized.

E. **Other Property Owned:** Other property owned, consisting of real and personal property acquired through a collection action, is recorded at fair value less estimated selling costs upon acquisition. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in (gains)/losses on other property owned, net.

F. **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 accrued annual leave.

G. **Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. Amounts received on short-term, intermediate-term, and long-term loans are recorded in the Consolidated Statement of Condition as liabilities and represent borrower payments for future loan payments, other loanable purposes, or other special uses. Access to these funds is limited by an agreement between the borrower and the Association. Advance conditional payments are not insured. Interest is generally paid by the Association on advance conditional payments.

H. **Employee Benefit Plans:** Substantially all employees of the Association participate in the Eleventh District Defined Benefit 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 salary 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 U.S. AgBank District Annual Report. The Defined Benefit Plan was closed to new participants beginning January 1, 1998.

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 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.

I. **Income Taxes:** As previously described, the ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to federal income tax. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state or local laws.

The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts reflected in the financial statements and tax bases of assets and liabilities. In addition, a valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

Deferred income taxes have not been provided by the Association on approximately $7,344,200 of pre-1993 patronage distributions received from AgBank. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. Management's intent is to permanently invest these undistributed earnings in AgBank, thereby indefinitely postponing their conversion to cash, or to pass through any distribution related to pre-1993 earnings to Association borrowers through qualified patronage allocations.

The Association has not provided deferred income taxes on amounts allocated to the Association, which relate to AgBank's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Deferred income taxes have not been provided on approximately $2,139,080 of patronage refunds distributed to the taxable PCA by AgBank after December 31, 1992. Additionally, deferred income taxes have not been provided on the Western Bank's post-1992 unallocated earnings. AgBank currently has no plans to distribute unallocated AgBank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

The Idaho State Tax Commission made a declaratory ruling for Northwest Farm Credit Services ACA, indicating that it was not subject to Idaho income taxes. The ruling was based on Idaho Code Sec. 633025B. The Association is not subject to State of Idaho income taxes based on the above statute and declaratory ruling. No state income tax provision has been made.

J. **Patronage Distribution from AgBank:** Patronage distributions are made by AgBank the month following quarter-end. The Association records patronage distributions from AgBank upon receipt of the distribution.

K. **Other Comprehensive Income/(Loss):** Other comprehensive income/(loss) refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of shareholders' equity but are excluded from net income. The Association records other comprehensive income/(loss) associated with liability under the Pension Restoration Plan.

L. **Recently Issued Accounting Pronouncements**: On September 30, 2006, the FASB issued Statement of Financial Accounting Standards No. 158 – "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through other comprehensive income. The Standard further requires the determination of the fair value of plan assets at year-end and recognition of actuarial gains and losses, prior service costs or credits, and transition assets and obligations as a component of other comprehensive income for the fiscal year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, the Association uses a measurement date of September 30. The requirement to measure the funded status as of the fiscal year-end is effective for the Association for fiscal years ending after December 31, 2008.

In September 2006, the FASB also issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. As a result, there is now a common definition of fair value to be used throughout generally accepted accounting principles. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. This Statement clarifies that the term fair value is intended to mean a market-based measure, not an entity-specific measure. In measuring fair value for a financial statement item, the Statement sets forth a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The highest priority is given to quoted prices in active markets and the lowest priority to unobservable inputs. Additional disclosure requirements will be required for the lowest priority level. The Statement became effective as of January 1, 2008. We are still assessing the impact on our financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, Fair Value Option for Financial Assets and Financial Liabilities. The Standard permits entities to choose on an instrument-by-instrument basis, at specified election dates, to measure financial assets and liabilities and certain other items at fair value (the "fair value option"). Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. This Standard became effective as of January 1, 2008. The Association has not made any elections under the fair value option; thus there is no impact of the adoption of the Standard.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

	December 31 2007	December 31 2006	December 31 2005
Production agriculture:			
Real estate mortgage	$ 73,253,812	$ 65,412,499	$ 67,593,927
Production and intermediate-term	56,252,855	51,956,732	56,822,708
Agribusiness:			
Processing and marketing	2,841,579	379,798	546,572
Farm related business	955,079	808,391	578,036
Rural residential real estate	55,819	0	0
Total loans	$ 133,359,144	$ 118,557,420	$ 125,541,243

The Association currently has no loans to cooperatives and no aquatic, communication, energy, water/waste disposal, rural residential real estate, international, or lease receivable loans.

The Association's concentration of credit risk in various agricultural commodities is shown in the following table (dollars in thousands). While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

(dollars in thousands)	**December 31, 2007**		December 31, 2006		December 31, 2005	
Commodity	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Potatoes	**$ 42,675**	**32.0%**	$ 37,583	31.7%	$ 39,169	31.2%
Grain (wheat, malt and feed barley)	**24,271**	**18.2%**	23,237	19.6%	25,485	20.3%
Cash Rent	**13,736**	**10.3%**	14,108	11.9%	10,545	8.4%
Milk and dairy cattle	**9,602**	**7.2%**	10,552	8.9%	11,550	9.2%
Beef cattle	**9,335**	**7.0%**	8,180	6.9%	10,043	8.0%
Sugar beets	**8,935**	**6.7%**	7,232	6.1%	8,286	6.6%
Other	**24,805**	**18.6%**	17,665	14.9%	20,463	16.3%
Total	**$ 133,359**	**100.0%**	$ 118,557	100.0%	$ 125,541	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on policies set by the board and management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland, machinery and equipment 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% (97% if guaranteed 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.

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 table presents information relating to impaired loans including accrued interest.

	December 31		
Nonaccrual loans:	**2007**	2006	2005
Current as to principal and interest	**$ 50,963**	$ 127,950	$ 544,358
90 days or more past due	**221,795**	303,230	1,812,135
Total nonaccrual loans	**272,758**	431,180	2,356,493
Impaired accrual loans:	**0**	0	0
Total impaired loans	**$ 272,758**	$ 431,180	$ 2,356,493

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 as impaired at December 31, 2007.

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 for the year ended December 31.

	2007	2006	2005
Interest income recognized on nonaccrual loans	**$ 110,962**	$ 647,174	$ 576,801
Interest income on impaired accrual loans	**0**	0	0
Interest income recognized on impaired loans	**$ 110,962**	$ 647,174	$ 576,801
Average impaired loans	**$ 329,418**	$ 1,878,956	$ 2,257,937

The following table presents information concerning impaired loans as of December 31.

	2007	2006	2005
Impaired loans with related allowance	**$ 245,635**	$ 303,230	$ 279,773
Impaired loans with no related allowance	**27,123**	127,950	2,076,720
Total impaired loans	**$ 272,758**	$ 431,180	$ 2,356,493
Allowance on impaired loans	$ 245,635	$ 303,230	$ 279,773

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 December 31.

	2007	2006	2005
Interest income which would have been recognized under the original loan terms	**$ 139,042**	$ 252,372	$ 366,623
Less: interest income recognized	**110,962**	647,174	576,801
Foregone (additional nonaccrual) interest income	**$ 28,080**	$ (394,802)	$ (210,178)

A summary of the changes in the allowance for loan losses follows for the year ended December 31.

	2007	2006	2005
Balance at beginning of year	**$ 405,791**	$ 387,308	$ 389,832
Charge-offs (all loan types)	**0**	0	0
Recoveries (Production and intermediate term)	**0**	48,522	13,937
Provision for or (Reversal of) loan losses	**(12,779)**	(30,039)	(16,461)
Balance at end of year	**$ 393,012**	$ 405,791	$ 387,308
Net charge-offs/(Recoveries) to average net loans	**0.00%**	(0.04)%	(0.01)%

A breakdown of the allowance for loan losses follows as of December 31.

	2007		2006		2005	
	Amount	**Percent**	Amount	Percent	Amount	Percent
Real estate mortgage	**$ 45,134**	**11.48%**	$ 46,508	11.46%	$ 37,988	9.81%
Production and intermediate term	**347,852**	**88.51%**	359,268	88.54%	349,256	90.17%
Agribusiness	**26**	**0.01%**	15	0.00%	64	0.02%
Rural residential real estate	**0**	**0.00%**	0	0.00%	0	0.00%
Total	**$ 393,012**	**100.00%**	$ 405,791	100.00%	$ 387,308	100.00%

To mitigate the risk of loan losses, the Association may enter into long-term standby commitments to purchase agreements with the Federal Agricultural Mortgage Corporation (Farmer Mac). The agreements, which are effectively credit guarantees that will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of default, (typically four months past due), subject to certain conditions. The Association had no loans under long-term standby commitments for the years presented.

NOTE 4 – INVESTMENT IN AGBANK

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 Association is required to maintain an investment in AgBank equal to 5.00 percent of average direct loan volume, net of excess investment. During March 2007, AgBank issued preferred stock and reduced our required investment in AgBank from 6.25 percent to 5.00 percent effective April 2007. We did not receive a cash redemption for this transaction; however, the then excess investment in AgBank was transferred from required investment to excess investment, both of which are included in Investment in AgBank on the Consolidated Statement of Condition. The investment in AgBank will be 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 for the year ended December 31.

	2007	2006	2005
Land	**$ 53,610**	$ 53,610	$ 53,610
Buildings and improvements	**523,267**	513,814	513,814
Furniture and equipment	**417,067**	393,006	408,784
Automobiles	**114,358**	131,328	163,675
	$ 1,108,302	$ 1,091,758	$ 1,139,883
Less: accumulated depreciation	**921,250**	915,915	896,851
Total	**$ 187,052**	$ 175,843	$ 243,032

The Association has an operating lease on its Twin Falls office which expires in 2012, with minimum annual lease payments of about $14,000.

NOTE 6 – OTHER PROPERTY OWNED

(Gains)/Losses on other property owned, net as reflected on the Statement of Income consists of the following for the year ended December 31.

	2007	2006	2005
(Gains)/Losses on sale, net	**$ (293,471)**	$ (2,831)	$ 0
Operating (income)/expense, net	**11,930**	37,433	0
(Gains)/Losses on other property owned, net	**$ (281,541)**	$ 34,602	$ 0

NOTE 7 – NOTES 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 to AgBank and is governed by a General Financing Agreement (GFA), which provides a $120 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, 2007. 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 5.31 percent for the year ended December 31, 2007. The line of credit expires on April 30, 2008; 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. Provided however, 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.

The Association has the opportunity to commit funds with AgBank in the Earnings Stabilization Management Program at a fixed rate for a specified timeframe. Participants in the program receive a fixed rate credit on the committed funds balance classified as a reduction of interest expense. These funds, which are netted against the note payable to AgBank, are shown in the following table as of December 31.

	2007	2006	2005
Committed funds	**$ 7,500,000**	$ 8,500,000	$ 8,500,000
Average rates	**3.45%**	3.52%	3.52%

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, 2007, the Association's notes payable are within the specified limitations.

NOTE 8 – SHAREHOLDER'S' EQUITY

A description of the Association's capitalization, protection mechanisms, regulatory capitalization requirements and restrictions, and equities is provided below.

A. **Capital Stock and Participation Certificates:** In accordance with the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. Capitalization bylaws allow stock requirements to range from the lesser of one thousand dollars or 2.00% of the amount of the loan to 8.00% 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% of the borrower's combined loan volume.

The borrower acquires ownership of the stock or participation certificates at the time the loan is made, but usually does not make a cash investment; the aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan cannot automatically result in retirement of the corresponding stock or participation certificates.

B. **Regulatory Capitalization Requirements and Restrictions:** The FCA's capital adequacy regulations require the Association to maintain permanent capital of 7.00% of risk-adjusted assets and off-balance sheet commitments. Failure to meet this requirement can initiate certain mandatory and possibly additional discretionary actions by the FCA that, if undertaken, could have a direct material effect on the Association's consolidated financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to shareholders unless prescribed capital standards are met. The FCA regulations also require that additional minimum standards for capital be achieved. These standards require all System institutions to achieve and maintain ratios of total surplus as a percentage of risk-adjusted assets of 7.00% and of core surplus (generally unallocated surplus) as a percentage of risk-adjusted assets of 3.50%. At December 31, 2007, the Association's average permanent capital was 26.05%, core surplus was 20.11%, and total surplus was 25.85%.

An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. 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, 2007, the Association had the following classes of equity outstanding, all at par value of $5.00 per share/unit, and all at risk.

Class	Number of Shares	Voting	Protected
C - common stock	49,074	yes	no
F - participation certificates	1,882	no	no

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

Class	Number of Shares	Voting	Protected
A - common stock	0	no	no
C - preferred stock	0	no	no
D - stock	0	no	yes
E - participation certificates	0	no	yes
Assistance preferred stock	0	no	no

The Board has not approved a program for issuing class C-preferred stock, even though the Association is authorized to do so by its bylaw amendments.

The Association is currently not prohibited from retiring capital stock and presently foresees no realistic situation why retirement would be prohibited in the future. All distributions to the holders of any class of stock or participation certificate shall be made pro-rata in proportion to the number of shares or units of such class of stock or participation certificate held by such holders.

Losses that result in impairment of capital stock and participation certificates will be allocated to the classes of equity described above as follows: First, to the holders of class C preferred stock until an amount equal to the aggregate par value of all shares of said Stock then issued and outstanding has been distributed to such holders; Second, to the holders of class A common stock, class C common stock, Participation Certificates, and Class D Stock, pro-rata, in proportion to the number of shares or units of each such class of Stock then issued and outstanding, until an amount equal to the aggregate par or face value of all such shares or units has been distributed to such holders; Third, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed; Fourth, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed; and Fifth, any remaining assets of the Association after such distributions shall be distributed to past and present Patrons on a patronage basis, to the extent practicable.

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 distributed to past and present Patrons on a patronage basis, to the extent practicable.

D. **Patronage and/or Dividends:** Consistent with the Association's bylaws and Subchapter T of the Internal Revenue Code, the Association adopted a patronage program beginning in 2007. At each year end, the Board of Directors evaluates whether to retain the Association's net income to strengthen its capital position **or** to distribute a portion of the net income to customers by declaring a qualified/cash patronage refund. That portion of patronage-sourced net income not distributed in cash is also allocated to patrons. Allocated, but not distributed patronage refunds, are added to the unallocated retained earnings account. Such allocations may provide a future basis for a distribution of capital. In accordance with Internal Revenue Service requirements, each customer is sent a nonqualified written notice of allocation for patronage sourced net income which is not distributed as cash. A portion of patronage sourced income may be ineligible for cash distribution or noncash allocation to patrons in accordance with the terms of patronage program, and such amounts are also added to unallocated retained earnings. The Board of Directors considers unallocated retained earnings from both patronage sourced and non-patronage sourced earnings to be permanently invested in the Association. As such, there is no current plan to revolve or redeem these amounts. No express or implied right to have such capital retired or revolved at any time is granted. The Association declared a cash distribution of $1,068,110 from 2007 patronage sourced net income, which was distributed in January 2008.

E. **Other Comprehensive Income/(Loss):** The Association reports other comprehensive income/(loss) in its Consolidated Statement of Changes in Shareholders' Equity. As more fully discussed in Note 11, other comprehensive loss results from a minimum pension liability adjustment of $263,437, $213,712 and ($113,814) for the years ended December 31, 2007, 2006, and 2005 respectively as a result of the funded status of the underlying plan. There were no other items affecting comprehensive income or loss.

NOTE 9 – PATRONAGE DISTRIBUTIONS FROM U. S. AGBANK

The patronage distribution from AgBank follows.

	2007	2006	2005
Cash	**$ 822,739**	$ 422,325	$ 334,298
Stock	**0**	344,100	286,510
Total	**$ 822,739**	$ 766,425	$ 620,808

NOTE 10 – INCOME TAXES

The provision for/(benefit from) income taxes follows for the year ended December 31.

	2007	2006	2005
Current federal tax provision	**$ 40,148**	$ 61,220	$ 124,748
Deferred federal tax provision(benefit)	**15,500**	(36,800)	38,330
Provision for income taxes	**$ 55,648**	$ 24,420	$ 163,078

The provision for/(benefit from) income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the year ended December 31.

	2007	2006	2005
Federal tax at statutory rate	**$ 975,807**	$ 954,341	$ 930,260
Effect of non-taxable FLCA subsidiary	**(847,389)**	(825,625)	(669,378)
AgBank stock patronage income	**0**	(116,994)	(97,413)
Patronage distributions to borrowers	**(47,792)**	0	0
Other, net	**(24,978)**	12,698	(391)
Provision for income taxes	**$ 55,648**	$ 24,420	$ 163,078

Deferred tax assets and liabilities result from the following as of December 31.

	2007	2006	2005
Gross deferred tax asset:			
Allowance for loan losses	**$ 118,278**	$ 122,160	$ 118,700
Nonqualified patronage distributions			
Nonaccrual loan interest	**79,614**	87,710	101,400
Pension expense	**122,760**	242,150	266,500
Post-retirement benefits other than pensions	**39,666**	42,110	36,900
Other	**0**	710	2,400
Gross deferred tax asset	**$ 360,318**	$ 494,840	$ 525,900
Less: Deferred tax asset valuation allowance	**$ (12,318)**	$ (21,840)	$ (26,000)
	348,000	473,000	499,900
Gross deferred tax liability:			
AgBank patronage allocations			
Premises and equipment	**(20,900)**	(24,200)	(30,500)
Other			
Gross deferred tax liability	**(20,900)**	(24,200)	(30,500)
Net deferred tax asset	**$ 327,100**	$ 448,800	$ 469,400

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The Association recorded a valuation allowance of $12,318 during 2007, $21,840 during 2006, and $26,000 during 2005. The Association will continue to evaluate the likely realization of these deferred tax assets and adjust the valuation allowance accordingly.

NOTE 11 – EMPLOYEE BENEFIT PLANS

The employees of the Association may participate in a defined benefit pension plan (Pension Plan). The Pension Plan is noncontributory and covers a 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 $119,877 for 2007, $92,674 for 2006, and $71,366 for 2005, through its note payable to AgBank. Pension Plan expenses included in salaries and employee benefits expense were $114,643 for 2007, $160,081 for 2006, and $171,261 for 2005. Additional financial information for the Pension Plan may be found in the U.S. AgBank District Annual Report.

As of December 31, 2007, the Pension Plan's minimum liability and accumulated other comprehensive income were transferred to the District combined financial statements because of implementation of SFAS 158 at the AgBank District level. At December 31, 2006 and 2005, the Association recognized a minimum pension liability in the amount of $369,637 and $640,749, respectively, and a deferred tax asset of $106,200 and $163,600, respectively. The offsetting impact was recorded to accumulated other comprehensive loss in the statement of condition. As a result, there was no income statement impact.

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 (primarily health care benefits and life insurance) included in salaries and employee benefits expense were $10,509 for 2007, $10,642 for 2006 and $9,365 for 2005. Additional financial information for this plan may be found in the U.S. AgBank District 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 $91,632, $81,516, and $88,037 for the years ended December 31, 2007, 2006, and 2005, respectively.

NOTE 12 – INTRA-SYSTEM FINANCIAL ASSISTANCE

The Farm Credit Act provided for capital assistance to System institutions experiencing severe financial stress through the issuance, prior to October 1, 1992, by the Financial Assistance Corporation of U.S. Treasury-guaranteed 15-year bonds, of which $1.261 billion in principal amount was originally issued. The last remaining Financial Assistance Corporation bonds matured and were repaid on June 10, 2005.

Pursuant to the Farm Credit Act, the U.S. Treasury paid $440 million, on behalf of the System, in interest costs on $844 million of the Financial Assistance Corporation bonds issued for purposes other than funding Capital Preservation Agreement accruals. The Banks had irrevocably set aside funds, including interest earned, that totaled the $440 million needed to repay the interest advanced by the U.S. Treasury. On June 10, 2005, the Banks repaid the U.S. Treasury the interest advanced. The Farm Credit Administration Board cancelled the Financial Assistance Corporation's charter as of December 31, 2006.

NOTE 13 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association may enter into loan transactions with officers and directors of the Association or AgBank, 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 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 such persons (gross dollars before netting participations sold) at December 31 is shown below.

	2007	2006	2005
New Loans	**$ 55,834,814**	$ 28,170,519	$ 25,140,921
Repayments	**$ 41,912,213**	$ 27,818,982	$ 22,727,830
Ending Balance	**$ 35,255,313**	$ 21,332,712	$ 20,981,175

In the opinion of management, none of these loans outstanding at December 31, 2007, involved more than a normal risk of collectability.

The Association also has business relationships with certain other System entities for insurance, technology and benefit services.

NOTE 14 – REGULATORY ENFORCEMENT MATTERS

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

NOTE 15 – 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, 2007, $36.69 million of commitments to extend credit were outstanding.

The Association maintains an unsecured line of credit with its depository bank for $500,000 as part of its depository relationship and as a secondary source of local funds. This line of credit was not used in 2007.

At December 31, 2007, 2006 and 2005, the carrying amount of the Association's deposits was $912,458, $1,118,119 and $546,176 and the bank balance was $1,818,907, $1,709,359, and $1,578,463, respectively. Of these bank balances, $100,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The daily balance of depository accounts varies throughout the year, since the Association must wait for deposited funds to become collected funds before it can withdraw the funds to reduce its note payable to AgBank.

Legal actions are pending against the Association in which claims for money damages are asserted. The Association pursued foreclosure actions on a borrower who was in default on loans. In 2001, the borrower filed a counter claim asserting damages on three counts in excess of $500,000 each. The Association is defending the case vigorously. Management and the Association's attorney believe the Association will prevail in its claims and as a result, the Association has not reflected in its financial statements any accrual for possible losses as a result of this action.

NOTE 16 – 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, 2007, 2006, and 2005. The fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Quoted market prices are generally not available for certain System 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 as of December 31 are as follows (in thousands).

	2007		2006		2005	
Financial assets:	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans, net of allowance	$ 132,966	$ 134,809	$ 118,151	$ 117,117	$ 125,154	$ 123,914
Cash	$ 912	$ 912	$ 1,118	$ 1,118	$ 546	$ 546
Financial liabilities						
Notes payable to U.S. AgBank	$ 107,147	$ 107,032	$ 97,342	$ 93,495	$ 105,832	$ 101,814
Advance conditional payments	$ 2,826	$ 2,826	$ 1,209	$ 1,209	$ 1,150	$ 1,150

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 and notes receivable:** 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 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 that are current as to principal and interest and non-current nonaccrual loans that are adequately collateralized (acquisition of the collateral is not anticipated) is estimated as described above, with appropriately higher interest rates, which reflect the uncertainty of continued cash flows. For the remainder of 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. **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 rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables plus accrued interest on notes payable.

D. **Advance Conditional Payments:** The carrying value is a reasonable estimate of fair value.

NOTE 17 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2007, 2006, and 2005 follow (in thousands).

2007	First	Second	Third	Fourth	Total
Net Interest Income	$ 913	$ 1,007	$ 1,101	$ 1,103	$ 4,124
(Provision for) or Reversal of loan losses	(3)	88	(13)	(59)	13
Noninterest expense, net	(385)	(426)	(113)	(399)	(1,323)
Net income/(loss)	$ 525	$ 669	$ 975	$ 645	$ 2,814

2006	First	Second	Third	Fourth	Total
Net Interest Income	$ 899	$ 1,002	$ 1,060	$ 1,471	$ 4,432
(Provision for) or Reversal of loan losses	(13)	(9)	2	50	30
Noninterest expense, net	(492)	(431)	(401)	(356)	(1,680)
Net income/(loss)	$ 394	$ 562	$ 661	$ 1,165	$ 2,782

2005	First	Second	Third	Fourth	Total
Net Interest Income	$ 1,203	$ 1,032	$ 1,079	$ 1,134	$ 4,448
(Provision for) or Reversal of loan losses	(30)	24	11	11	16
Noninterest expense, net	(487)	(434)	(459)	(511)	(1,891)
Net income/(loss)	$ 686	$ 622	$ 631	$ 634	$ 2,573

NOTE 18 – SUBSEQUENT EVENT/ 2008 PATRONAGE PROGRAM

Under Section 840 of the Association bylaws, the Board has adopted an obligating resolution to pay patronage to patrons with voting stock or nonvoting participation certificates with eligible patronage business on the basis of average daily principal or contractual balance of each Patronage Transaction (account) during the period for which the distribution is calculated. The distribution shall not exceed the net income that was earned on the Patronage Transaction, or if the Patronage Transaction is participated, shall not exceed the net income that would have been earned if the Patronage Transaction was not participated.

Patronage is solely based on current year eligibility, and in no event will any patron whose account in a prior year was ineligible receive any patronage amount for a prior period once the account returns to eligible patronage status. “Patronage Business” encompasses the following transactions (each a “Patronage Transaction”): (i) loan accounts originated by the Association with an outstanding principal balance during the year and (ii) loan account participations acquired by the Association under a participation contract that specifically provides for the payment of patronage. Net earnings from transactions that are not Patronage Business shall constitute non-patronage earnings and shall not be available for distribution. Patronage Business shall not include accounts specified in advance as not eligible for patronage due to special pricing and/or risk factors and for which the borrower has waived patronage, sales contracts, fee-based services, related services and insurance sales, and secondary market activities. In addition, Patronage Business shall not include any account which as of the end of the patronage period (i) is both nonaccrual and past due; or (ii) has a specific allowance or charge-off which has not been recovered; or (iii) is from a Patron who has a balance past due more than 90 days to the Association for any loans, legal fees, judgments, or financially related services.

Patronage distributions may be in the form of cash, qualified written notices of allocation and/or nonqualified written notices of allocation. Patronage paid in cash will not include any amount which the Board has determined is required to be retained in accordance with meeting capital adequacy requirements necessary for sound financial management and future planning, and any retained earnings may be either allocated or unallocated to patrons.

Idaho Agricultural Credit Association
REQUIRED DISCLOSURES

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 consolidated 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 of Financial Condition and Results of Operations included in this Annual Report to shareholders.

Description of Property
The following table sets forth certain information regarding the properties of the reporting entity:

Description	Location	Ownership
Admin and Blackfoot Branch	188 W. Judicial, Blackfoot, ID 83221	Owned
American Falls Branch	127 Idaho, American Falls, ID 83211	Owned
Rexburg Branch	1586 N 2 E, Rexburg, ID 83440	Owned
Twin Falls Contact Point	1411 Falls Ave Suite 905, Twin Falls, ID 83301	Leased

Legal Proceedings and Enforcement Actions
Legal actions are pending against the Association in which claims for money damages are asserted. Information required to be disclosed in this section is incorporated herein by reference from Note 15, 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 the consolidated financial statements, Note 8, 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 the notes to the consolidated financial statements, including Note 7, Notes Payable to AgBank, and Note 12, Intra-System Financial Assistance and Note 15, Commitments and Contingencies.

Selected Financial Data
The selected financial data for the five years ended December 31, 2007, required to be disclosed in this section is incorporated herein by reference from the Five-Year Summary of Selected Consolidated Financial Data.

Management's Discussion and Analysis of Financial Condition and Results of Operations
Management's Discussion and Analysis of Financial Condition and Results of Operations which appears in 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 reporting entity:

Senior Officers
Daniel P. Allred, President and Chief Executive Officer since June 2006. Previously served as Senior Vice President and Senior Lending Officer since 1986, and prior to that as Assistant Vice President and Branch Manager. Has been employed by the Association since April 1977, but within the Farm Credit System since June 1975.

Jim Chase, Secretary and Chief Financial Officer since May 2006. Previously served as Assistant Vice President and Data Systems Administrator since January 2005, and prior to that as Assistant Vice President and Assistant Branch Manager. Has been employed by the Association since January 1991.

Gregory G. Rose, Vice President and Branch Manager since July 2000. Previously served as Assistant Vice President and Branch Manager. Has been employed by the Association since November 1989.

Marc Fonnesbeck, Vice President and Branch Manager since June 2006. Previously served as Assistant Vice President and Branch Manager since April 1998, and prior to that as Branch Manager. Has been employed by the Association since January 1994.

Adam Jensen, Assistant Vice President and Branch Manager. Has been employed by the Association since March 2007.

Idaho Agricultural Credit Association
REQUIRED DISCLOSURES

Board of Directors

Raymond G. Parks, Chairman, Blackfoot, Idaho. Term expires in 2008. Engaged in farming. Past legislator in the Idaho House of Representatives. Does not serve on any other board or commission.

Mark R. Ricks, Vice Chairman, Felt, Idaho. Term expires in 2009. Engaged in farming. Serves as director on the Fremont-Madison Irrigation District board and the Family Farm Alliance board.

Kenneth S. Black, Burley, Idaho. Term expires in 2008. Engaged in ranching and cattle feeding. Serves on the Burley FFA Advisory Committee.

Keith S. Hinckley, Blackfoot, Idaho. Term expires in 2009. Retired Executive Vice President of Basic American Foods and serves as a director on the Premier Technology board.

W. Brock Driscoll, Aberdeen, Idaho. Term expires in 2010. Engaged in farming. Presently serves as a director on the American Falls – Aberdeen Groundwater District board.

Twain S. Hayden, Arbon, Idaho. Term expires in 2010. Engaged in farming. Serves on the Arbon School District Board.

Scott R. Giltner, Jerome, Idaho. Term expires in 2009. Engaged in dairy farming and milk trucking.

K. Gregory Nickell, Blackfoot, Idaho. Resigned effective September 30, 2007 to pursue other interests. Engaged in farming.

Compensation of Directors and Senior Officers

Association board members were paid $200 per day honoraria in 2007, plus travel expenses, for attendance at board meetings and for their participation in other official business of Idaho Agricultural Credit Association. Total compensation paid to this group during 2007 was $29,795, which included $18,000 for honoraria and $11,795 for expense reimbursement.

The Association Travel Policy allows reimbursements for travel, subsistence and other related expenses to directors and senior officers. Reimbursements for lodging, commercial travel, and other subsistence, with the exception of meals, requires receipts for actual costs. A copy of this policy is available to shareholders of the Association upon request. Honoraria is set each year at the Organizational Meeting of the Board of Directors. The aggregate amount of reimbursements for travel, subsistence and other related expenses, with the exception of honoraria, for all directors as a group for each of the last three fiscal years is as follows:

2007 - $11,795
2006 - $13,168
2005 - $16,312

Honoraria for each director is provided as follows:

Idaho ACA Board Member	Number of Days Served at Board Meetings	Number of Days Served in Other Official Acts	Total Honoraria Paid in 2007
Raymond G. Parks, Chairman	12	9	$ 4,200
Mark R. Ricks, Vice Chairman	8	0	1,600
Kenneth S. Black	12	5	3,400
W. Brock Driscoll	10	0	2,000
Twain S. Hayden	9	0	1,800
Keith S. Hinckley	11	4	3,000
Scott R. Giltner	1	0	200
K. Gregory Nickell	9	0	1,800
Total			$ 18,000

Transactions with Senior Officers and Directors

There were no transactions other than loans to directors. The reporting entity'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 the consolidated financial statements, Note 13 - Related Party Transactions, included in this Annual Report to shareholders.

Idaho Agricultural Credit Association
REQUIRED DISCLOSURES

Senior Officer Compensation

Compensation for the CEO and senior officers (including other officers when there are not 5 senior officers) is as follows.

		Annual				
No. in Group	Year	Salary	Bonus/ Incentive*	Deferred/ Perquisites	Other**	Total
(a)	(b)	(c)	(d)	(e)	(f)	(g)
CEO						
Dan Allred	2007	$ 110,167	$ 21,525	$ 0	$ 4,118	$ 135,810
Dan Allred***	2006	105,930	6,987	0	3,158	116,075
Arnold Seeley***	2006	46,669	40,367	0	50,142	137,178
Arnold Seeley	2005	105,664	25,927	0	5,710	137,301
5 Officers****	2007	$ 408,613	$ 72,578	$ 0	$ 15,365	$ 496,556
5 Officers****	2006	375,911	64,454	0	68,093	508,458
5 Officers****	2005	431,875	59,369	0	17,024	508,268

*Bonus/Incentive amounts prior to 2007 reflect actual paid amounts in the year, rather than earned compensation during the year, including bonuses accrued and paid in the next year. **Other includes auto use fringe benefit and group term life insurance benefit, and the 2006 amount includes Arnold Seeley retirement and paid leave amounts ***CEO Arnold Seeley retired effective May 31, 2006 and Dan Allred became CEO effective June 1, 2006, and all compensation for 2006 is included for both CEOs. ****5 Officers include CEO(s), and in years when there are not five senior officers, other officers are included.

Column (d): The Board approved incentive plans for all employees, loan officers, and the CEO for 2007, which were predicated on the Association reaching certain goals established by the Board. Prior years included similar incentive plans, and similar plans have been approved for 2008.

The general employee incentive plan included all employees hired before April 1, 2007 and still employed as of the end of 2007 except for the CEO. The first part of this plan included a 5% of salary incentive for making the ROA goal of 1.00%, maintaining an AgBank CIPA score high enough to avoid cost of funds penalties, and maintaining credit quality of at least 90% Acceptable and OAEM. The Board determined in its October 2007 meeting that the Association would meet its goals and approved payout of 5% to eligible employees prior to 2007 year end. Additionally, this plan provides for an incentive pool which is paid out 25% equally among all employees and 75% pro-rata based on salary paid during the year. That incentive pool included a percentage for an overall increase in average volume, all new mortgage loans, all new commercial loans to borrowers who had not borrowed for two years, amounts for acquired property sold, and amounts for increased crop and credit life insurance sales. Payout of this additional incentive also had to meet the same goals as the 5% incentive payout. The Board determined in its January 2008 meeting that the Association met its goals and approved payout of this additional incentive in January 2008, which was included in 2007 expenses.

The loan officer incentive plan included all loan officers and specifically excluded the CEO and CFO. Incentives included a percentage earned for average new commercial volume and new mortgage note volume up to a maximum per customer, as well as incentives for hail insurance sales up to a maximum of 5% of salary. The plan included reduction of future incentives under the plan for any loans which do not maintain adequate credit quality. The Board determined in its October 2007 meeting that the Association would meet its goals and approved payout of the loan officer incentive plan prior to 2007 year end.

The CEO incentive plan included a 5% of salary payout for making the same goals as required in the general employee incentive plan. This portion of the CEO incentive plan was met for 2007 and was paid out at the same time as the general employee incentive plan 5% incentive. The CEO incentive plan also included additional incentives for meeting volume and credit quality goals. Additional incentives under this plan were included in 2007 incentives and were approved by the Board in its January 2008 meeting.

Payments under all incentive plans are made only if goals are met, and payment of the incentive would not cause the Association earnings to fall short of the goal. If the Board can determine, prior to year-end, that goals will be met, it can approve a partial payout of the incentive, with the remaining amount payable after yearend figures can be affirmed.

Column (e): No amounts are shown in this column because all deferred compensation is through a defined contribution plan which is available to all employees on the same basis by eligible retirement plan, as described in Note 11, Employee Benefit Plans. Employees eligible under the Pension Plan (which was closed to new employees on January 1, 1998) received defined contributions up to 4% with a 4% or more employee contribution, and employees eligible only under the defined contribution plan received defined contributions up to 9% with a 6% or more employee contribution. Employees vest in Association contributions at a rate of 25% per year. Prior annual statements included amounts in this column which did not need to be disclosed.

Disclosure of the total compensation paid during the last fiscal year to any senior officer or to any other employee included in the aggregate is available to shareholders upon request.

Idaho Agricultural Credit Association
REQUIRED DISCLOSURES

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

Financial Statements
The financial statements, together with the report thereon of Galusha, Higgins & Galusha, P.C. and the Report of Management appearing within this Annual Report to shareholders, are incorporated herein by reference.

Relationship with Independent Public Accountants
There has been no change in independent public accountants and no material disagreements on any matters of accounting principle or financial statement disclosure during the period.

Borrower Privacy
Your privacy is important to us. We want you to know that we hold your financial and other personal information in strict confidence. Since 1972, Farm Credit Administration regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without your consent. We do not sell or trade our customers' personal information to marketing companies or information brokers.

FCA rules allow us to disclose customer information to others only in these situations:

- We may give it to another Farm Credit institution with whom you do business.
- We can be a credit reference for you with other lenders and provide information to a credit bureau or other consumer reporting agency.
- We can provide information in certain types of legal or law enforcement proceedings.
- We may provide information to auditors for the purpose of confirming loan balances and terms.
- FCA and other third-party examiners may review loan files during regular examinations of our association.
- If one of our employees applies to become a licensed real estate appraiser, we may give copies of real estate appraisal reports to the state agency that licenses appraisers when required. We will first remove as much personal information from the appraisal report as possible.

As a member/owner of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs.

U.S. AgBank, FCB Financial Data
The shareholders' investment in the Association is materially affected by the financial condition and the results of operation of the U.S. AgBank, FCB. Upon request, stockholders of the Association will be provided with a District Annual Report, which includes the combined financial statements of the Bank and its related Associations. To obtain a copy of the 2007 U.S. AgBank, FCB's Annual Report or any of its Quarterly Reports, free of charge, please contact U.S. AgBank, FCB, Administrative Office, 245 North Waco, P.O. Box 2940, Wichita, Kansas 67201-2940; or call toll free (800) 322-9880.

A copy of the Association's interim Quarterly Reports are available at any of the Association's branch offices or its headquarters office located at 188 West Judicial, Blackfoot, Idaho. To obtain a copy by mail, free of charge, please call any Association branch office or the Association's headquarters office at (208) 785-1510 or (800) 686-8910, or write to the Association at P.O. Box 985, Blackfoot, Idaho 83221. Copies of Quarterly Reports are available 45 days after each quarter end. Association Annual Reports are available, free of charge, on our website (www.IdahoAgCredit.com) 75 days after year end or in paper 90 days after year end and are mailed to all shareholders. To obtain an additional Annual Report, free of charge, telephone (208) 785-1510 or (800) 686-8910.

Idaho Agricultural Credit Association
and its wholly owned subsidiaries
Idaho AgCredit, FLCA
Idaho AgCredit, PCA

188 W. Judicial, P.O. Box 985, Blackfoot, ID 83221

Celebrating 74 years:

Eastern Idaho Production Credit Association Chartered January 6, 1934
Eastern Idaho Agricultural Credit Association Chartered August 6, 1991
Idaho Agricultural Credit Association Chartered January 1, 2000
Idaho Agricultural Credit Association and its wholly owned subsidiaries
Idaho AgCredit, FLCA and Idaho AgCredit, PCA Chartered July 1, 2002