

The U.S. AgBank, FCB (AgBank) Board of Directors (Board) believes that a key component to a strong and effective Board is the predominance of independent Board members. These independent Board members play an important role in ensuring sound governance programs exist and decisions are made in the best interests of AgBank and its stockholders. The Board has established criteria to determine director independence.

All of the following objective criteria must be met for a director to be considered independent. The criteria for loan volume relates to loans from Associations affiliated with AgBank and are based on elected director and spouse obligations, including ownership share of corporate assets and liabilities, but excluding contingent liabilities:

1. The director's loans do not exceed 5% of the total loan volume of any Association(s) of which he/she is a member.
2. The loans from AgBank to the Association(s) of which the director is a member do not comprise more than 33% of the total assets of AgBank measured annually as of March 31.
3. The voting strength of the Association(s) of which the director is a member does not comprise more than 33% of the total AgBank District (District) voting strength as measured annually as of March 31.
4. The Association(s) from which the director borrows does not comprise more than 40% when the percent in 2. above is summed with the percent in 3. above.
5. The director's total System loan volume is less than the net worth of the director based on his/her most recently submitted balance sheet.
6. The director's loan is not adversely classified.
7. The loan(s) from AgBank to any Association of which the director is a member is not classified "doubtful" or "loss."
8. The director or the spouse of the director is not an employee, director or more than a 10 percent owner of a non-System financial institution that has more than 5% of its loans in agricultural loans.
9. The director does not directly or indirectly accept any consulting, advisory or other non-director compensatory fees from AgBank or Associations affiliated with AgBank.
10. The director has no outside business relationship or family relationship with any member of AgBank senior management.