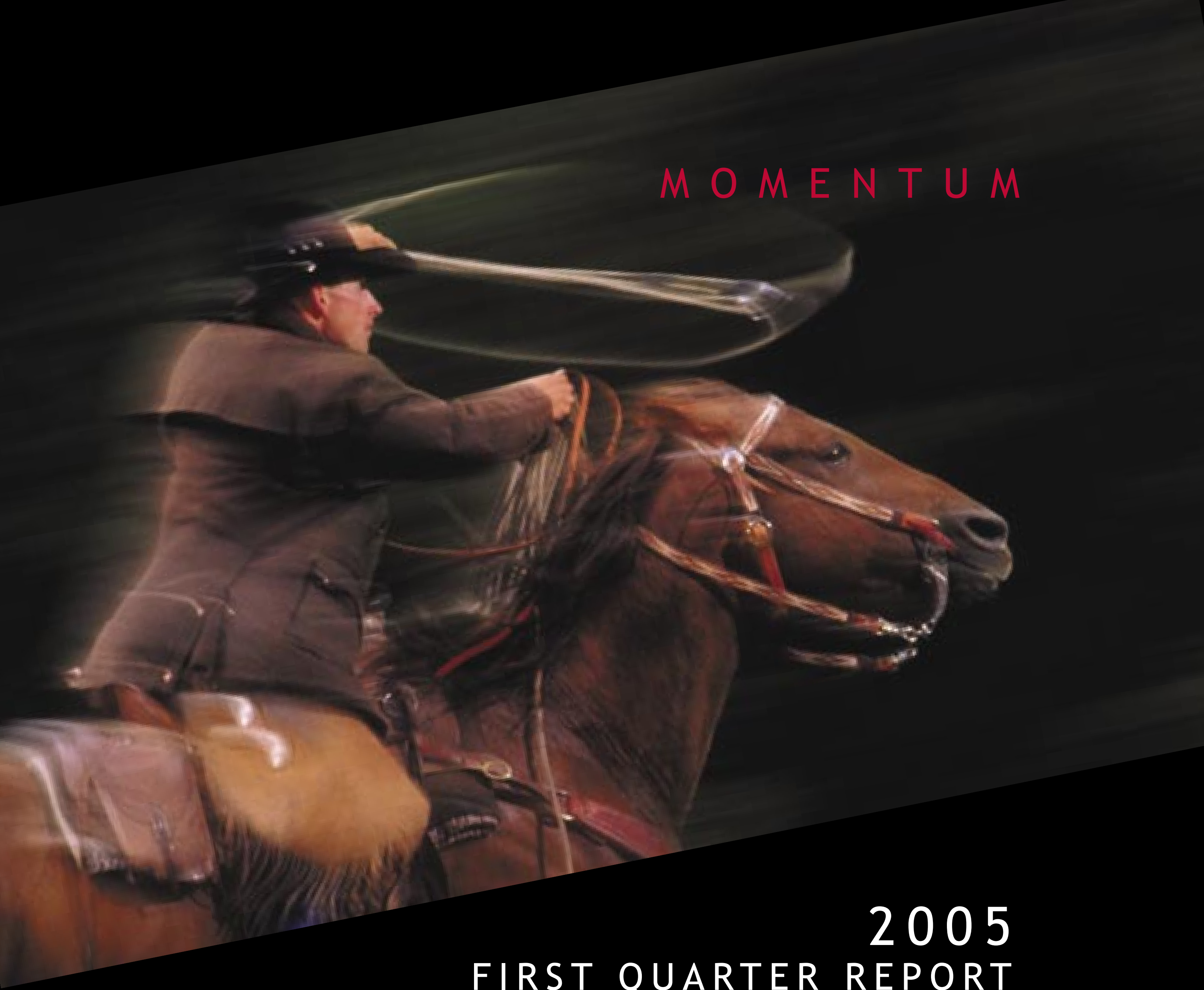

2005
FIRST QUARTER REPORT
MARCH 31, 2005

FARM CREDIT BANK OF TEXAS

FIRST QUARTER 2005

Table of Contents

May 4, 2005

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands, except as noted)

The following discussion reviews the financial condition and results of operations of the Farm Credit Bank of Texas (bank) for the three months ended March 31, 2005. These comments should be read in conjunction with the accompanying financial statements and footnotes, along with the 2004 Annual Report to shareholders.

The bank is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration promulgated thereunder.

The United States is currently served by four Farm Credit Banks (FCBs), each of which has specific regional lending authority within a chartered territory (or district), and by one Agricultural Credit Bank (ACB), which has the lending authority of an FCB within its chartered territory and limited nationwide lending authority. The FCBs and the ACB are collectively referred to as "System banks." The primary purpose of the FCBs is to serve as a source of funding for System associations within its district. The System associations make loans to or for the benefit of eligible borrowers for qualified purposes.

The bank and its related associations collectively are referred to as the Tenth Farm Credit District (district). At March 31, 2005, the bank served 21 district associations and certain other financing institutions.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income for the three months ended March 31, 2005, was $18,539, an increase of $3,213, or 21.0 percent, from the three months ended March 31, 2004. The increase is primarily the result of growth in the volume of earning assets. The net interest margin for the quarter ended March 31, 2005, decreased by one basis point from the same period of 2004.

Provision for Loan Losses

The bank recorded $96 negative provision for loan losses for the quarter ended March 31, 2005, compared with no provision recorded for the first quarter of 2004. The decrease reflects the effects of refinements in the bank's allowance for loan loss methodology implemented during 2004.

Noninterest Income

Noninterest income for the three months ended March 31, 2005, was $3,741, reflecting an increase of $523 over the same periods of 2004. The increase is due primarily to a $697 increase in loan-related fees and a $109 increase in patronage received from System entities, partially offset by a $196 decrease in surpluses received from the Farm Credit System Association Captive Insurance Company, a $47 decrease in other gains, net, and a $27 decrease in services billed to associations.

Noninterest Expense

Noninterest expense for the three months ended March 31, 2005, was $9,754, reflecting an increase of $503 over the same periods of 2004. The increase is mainly attributable to a $504 increase in salaries and employee benefits, a $262 increase in professional and contract fees, and a $117 increase in intra-system financial assistance expense, offset by a $282 decrease in assessments from the Funding Corporation and a $280 decrease in occupancy and equipment expense.

Key results of operations comparisons:

	Annualized for the Three Months Ended 3/31/2005	Annualized for the Three Months Ended 3/31/2004
Return on average assets	**0.59%**	0.50%
Return on average shareholders' equity	**10.15%**	7.66%
Net interest income as a percentage of average earning assets	**0.87%**	0.83%

FINANCIAL CONDITION

Loan Portfolio

Gross loan volume at March 31, 2005, was $6,962,713, reflecting an increase of $44,477, or 0.6 percent, compared to $6,918,236 at December 31, 2004. The $44,477 increase from December 31, 2004, is mainly attributable to a $144 million increase in the bank's participations loan portfolio, offset by the $100 million sale of participations in direct notes receivable from associations in February 2005.

Credit quality remained strong, with overall acceptable credit quality for the bank at 99.63 percent, compared to the 99.59 percent at December 31, 2004.

Comparative balances of high-risk assets follow:

	March 31, 2005	Increase (Decrease) $	Increase (Decrease) %	December 31, 2004
Nonaccrual loans	**$ 1,646**	$ (679)	(29.20) %	$ 2,325
Formally restructured loans	**497**	(121)	(19.58)	618
Loans 90 days past due and still accruing interest	**2,281**	2,075	1,007.28	206
Total high-risk assets	**$ 4,424**	$ 1,275	40.49 %	$ 3,149

Impaired loans, consisting of nonaccrual loans, formally restructured loans and loans 90 days or more past due and still accruing interest, constituted 0.1 percent of gross loans both at March 31, 2005, and at December 31, 2004. The increase in loans 90 days past due and still accruing interest was due primarily to the addition of one participation loan totaling $2,073.

At March 31, 2005, the allowance for loan losses was $143, or 0.02 percent of participation loans outstanding, and was considered by management to be adequate to absorb estimated losses inherent in the loan portfolio at that date.

Liquidity and Funding Sources

As of March 31, 2005, the bank exceeded the minimum permanent capital, core surplus, total surplus and net collateral ratio requirements under Farm Credit Administration regulations. At March 31, 2005, the bank's permanent capital ratio was 17.96 percent, core surplus was 10.25 percent, total surplus was 14.79 percent and the net collateral ratio was 105.94 percent. Cash and investment securities totaled $1,873,934, or 21.1 percent of total assets at March 31, 2005, compared to $1,838,820, or 20.9 percent, at December 31, 2004, reflecting an increase of $35,114, or 1.9 percent. Interest-bearing liabilities, consisting of bonds and notes, increased by $68,705, or 0.8 percent, in order to fund the increases in loan volume and investments previously discussed.

Capital Resources

Total shareholders' equity at March 31, 2005, totaled $500,467 a decrease of $964 from December 31, 2004. This decrease is primarily the result of an increase in unrealized net losses on investment securities totaling $13,111 and patronage payments of $1,002, offset by net income for the three months ended March 31, 2005, of $12,622 and a $527 increase in unrealized gains on cash flow derivatives.

Key financial condition comparisons:

	March 31, 2005	December 31, 2004
Total shareholders' equity to total assets	**5.64%**	5.70%
Total liabilities to shareholders' equity	**16.74:1**	16.55:1
Allowance for loan losses to total loans	**0.00%**	0.00%

Larry R. Doyle
Chief Executive Officer

Ralph W. Cortese
Chairman of the Board

Balance Sheets

(dollars in thousands)	**March 31, 2005 (Unaudited)**	December 31, 2004
Assets		
Cash	**$ 1,804**	$ 3,614
Federal funds sold and securities purchased under resale agreements	**49,100**	47,500
Investment securities	**1,823,030**	1,787,706
Loans	**6,962,713**	6,918,236
Less allowance for loan losses	**143**	239
Net loans	**6,962,570**	6,917,997
Accrued interest receivable	**28,851**	26,032
Premises and equipment, net	**2,527**	2,416
Other assets	**12,586**	15,940
Total assets	**$ 8,880,468**	$ 8,801,205
Liabilities and shareholders' equity		
Liabilities		
Bonds and notes, net	**$ 8,301,238**	$ 8,232,533
Accrued interest payable	**40,738**	36,850
Intra-system financial assistance payable	**345**	-
Other liabilities	**37,680**	30,391
Total liabilities	**8,380,001**	8,299,774
Commitments and contingent liabilities (Note 3)		
Shareholders' equity		
Preferred stock, net	**98,644**	98,644
Capital stock	**118,323**	118,323
Allocated retained earnings	**9,980**	9,980
Unallocated retained earnings	**293,662**	282,042
Accumulated other comprehensive loss	**(20,142)**	(7,558)
Total shareholders' equity	**500,467**	501,431
Total liabilities and shareholders' equity	**$ 8,880,468**	$ 8,801,205

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

Statements of Income

(unaudited)

(dollars in thousands)	Quarter Ended March 31, 2005	2004
Interest Income		
Investment securities	**$ 15,436**	$ 10,437
Loans	**62,064**	38,747
Total interest income	**77,500**	49,184
Interest Expense		
Bonds and notes	**58,950**	33,850
Notes payable and other	**11**	8
Total interest expense	**58,961**	33,858
Net interest income	**18,539**	15,326
Negative provision for loan losses	**(96)**	-
Net interest income after negative provision for loan losses	**18,635**	15,326
Noninterest Income		
Fees for services to associations	**2,132**	2,158
Loan-related fees	**1,281**	584
Miscellaneous income, net	**328**	476
Total noninterest income	**3,741**	3,218
Noninterest Expense		
Salaries and employee benefits	**6,028**	5,524
Occupancy and equipment	**935**	1,215
Insurance Fund premiums	**85**	126
Gains on other property owned, net	**5**	16
Intra-system financial assistance expenses	**218**	101
Other operating expenses	**2,483**	2,269
Total noninterest expense	**9,754**	9,251
Net Income	**$ 12,622**	$ 9,293

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

Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Preferred Stock	Capital Stock	Allocated Retained Earnings	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2003	$ 98,644	$ 109,787	$ 14,237	$ 259,410	$ (4,449)	$ 477,629
Comprehensive income						
Net income	-	-	-	9,293	-	9,293
Unrealized net gains on investment securities	-	-	-	-	10,791	10,791
Unrealized net losses on cash flow derivatives	-	-	-	-	(569)	(569)
Total comprehensive income	-	-	-	9,293	10,222	19,515
Patronage distributions						
Cash	-	-	-	(668)	-	(668)
Balance at March 31, 2004	$ 98,644	$ 109,787	$ 14,237	$ 268,035	$ 5,773	$ 496,476
Balance at December 31, 2004	$ 98,644	$ 118,323	$ 9,980	$ 282,042	$ (7,558)	$ 501,431
Comprehensive (loss)						
Net income	-	-	-	12,622	-	12,622
Unrealized net losses on investment securities	-	-	-	-	(13,111)	(13,111)
Unrealized net gains on cash flow derivatives	-	-	-	-	527	527
Total comprehensive (loss)	-	-	-	12,622	(12,584)	38
Patronage distributions						
Cash	-	-	-	(1,002)	-	(1,002)
Balance at March 31, 2005	**$ 98,644**	**$ 118,323**	**$ 9,980**	**$ 293,662**	**$ (20,142)**	**$ 500,467**

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

Statements of Cash Flows

(unaudited)

	Three Months Ended March 31,	
(dollars in thousands)	**2005**	2004
Operating activities		
Net income	**$ 12,622**	$ 9,293
Reconciliation of net income to net cash provided by operating activities		
(Negative provision) provision for loan losses	**(96)**	-
Provision for losses on other property owned	**-**	23
Depreciation and amortization on premises and equipment	**158**	126
Accretion of net discount on loans	**(29)**	-
Amortization and accretion on debt instruments	**3,850**	(74)
Amortization of net discount (premium) on investment securities	**1,299**	(875)
Losses from sales of other property owned, net	**2**	9
Losses from sales of premises and equipment	**-**	2
(Increase) decrease in accrued interest receivable	**(2,819)**	759
Decrease (increase) in other assets	**2,875**	(2,218)
Increase (decrease) in accrued interest payable	**3,888**	(8,577)
Increase in intra-system financial assistance payable	**345**	770
(Decrease) increase in other liabilities	**(437)**	807
Net cash provided by operating activities	**21,658**	45
Investing activities		
Net increase in federal funds sold and securities purchased under resale agreements	**(1,600)**	(15,100)
Investment securities		
Purchases	**(704,031)**	(1,470,431)
Proceeds from maturities, calls and prepayments	**654,296**	1,473,121
Increase in loans, net	**(44,450)**	(42,198)
Proceeds from sales of other property owned, net	**-**	342
Proceeds from sales of premises and equipment	**55**	-
Expenditures for premises and equipment	**(324)**	(757)
Net cash used in investing activities	**(96,054)**	(55,023)
Financing activities		
Bonds and notes issued	**6,589,245**	14,766,860
Bonds and notes retired	**(6,515,657)**	(14,716,578)
Cash patronage distributions paid	**(1,002)**	(668)
Net cash provided by financing activities	**72,586**	49,614
Net (decrease) increase in cash	**(1,810)**	(5,364)
Cash at beginning of year	**3,614**	6,465
Cash at end of quarter	**$ 1,804**	$ 1,101
Supplemental schedule of noncash investing and financing activities		
Financed sales of other property owned	**$ -**	$ 54
Unrealized net (losses) gains on investment securities	**(13,112)**	10,791
Supplemental information		
Interest paid	**47,815**	41,857

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

Notes to Financial Statements

Unaudited (dollar amounts in thousands unless otherwise noted)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements include the accounts of the Farm Credit Bank of Texas (bank). The significant accounting policies followed and the financial condition and results of operations of the bank as of and for the year ended December 31, 2004, are contained in the 2004 Annual Report to shareholders (Annual Report). These unaudited first quarter 2005 financial statements should be read in conjunction with the Annual Report.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations of the bank and conform to generally accepted accounting principles. The preparation of these financial statements required the use of management's estimates. The results of operations for any interim period are not necessarily indicative of the results to be expected for the entire year.

The bank is part of the Tenth Farm Credit District (district), which is part of the federally chartered Farm Credit System (System). The bank provides funding to district associations, which, in turn, provide credit to their borrower-shareholders. At March 31, 2005, the bank served 21 district associations and certain other financing institutions.

NOTE 2 — ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	Three Months Ended March 31,	
	2005	2004
Balance at beginning of period	**$ 239**	$ 9,834
Negative provision for loan losses	**(96)**	-
Balance at end of period	**$ 143**	$ 9,834

As discussed in the 2004 Annual Report, the bank recorded a loan loss reversal of $7,878 in the fourth quarter of 2004 that resulted in a decrease in the allowance for loan losses.

NOTE 3 — COMMITMENTS AND CONTINGENT LIABILITIES

The bank is primarily liable for its portion of systemwide debt obligations. Additionally, the bank is jointly and severally liable for the consolidated systemwide bonds and notes of the other System banks. Total consolidated bank and systemwide obligations of the System at March 31, 2005, were approximately $100.8 billion.

Other actions are pending against the bank in which claims for monetary damages are asserted. Upon the basis of current information, management and legal counsel are of the opinion that the ultimate liability, if any, resulting therefrom will not be material in relation to the financial position or results of operations of the bank.

NOTE 4 — EMPLOYEE BENEFIT PLANS

The following table summarizes the components of net periodic benefit costs for non-pension postretirement benefit costs for the three months ended March 31, 2005:

Service cost	**$ 71**
Interest cost	**144**
Amortization of transition obligation	**(38)**
Amortization of net gain	**1**
Net periodic benefit cost	**$ 178**

The structure of the district's defined benefit plan is characterized as multi-employer, since neither the assets, liabilities, nor cost of the plan is segregated or separately accounted for by participating employers (bank and associations).

NOTE 5 — COMBINED ASSOCIATION FINANCIAL DATA

Condensed financial information for the associations follows. All significant transactions and balances between the associations are eliminated in combination. The multi-employer structure of the district's defined benefit pension plan results in the recording of this plan only in the district's combined financial statements.

Balance sheet data	March 31, 2005	December 31, 2004
Cash	$ 25,049	40,555
Loans	7,616,333	7,568,736
Less allowance for loan losses	9,930	10,378
Net loans	7,606,403	7,558,358
Accrued interest receivable	101,180	95,747
Other property owned, net	4,268	5,184
Other assets	175,046	181,656
Total assets	$ 7,911,946	$ 7,881,500
Bonds and notes	$ 6,340,148	$ 6,336,917
Other liabilities	145,231	147,434
Total liabilities	6,485,379	6,484,351
Capital stock and participation certificates	86,910	92,103
Retained earnings	1,339,657	1,305,046
Total members' equity	1,426,567	1,397,149
Total liabilities and members' equity	$ 7,911,946	$ 7,881,500

	Three Months Ended March 31,	
Statement of income data	2005	2004
Interest income	$ 116,105	$ 89,765
Interest expense	53,171	33,771
Net interest income	62,934	55,994
(Negative provision) provision for loan losses	(353)	263
Net interest income after provision for loan losses	63,287	55,731
Noninterest income	6,396	6,189
Intra-system financial assistance expense	688	803
Other expense	30,503	28,649
Provision for income taxes	296	258
Net income	$ 38,196	$ 32,210