

THIRD QUARTER 2008

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CERTIFICATION

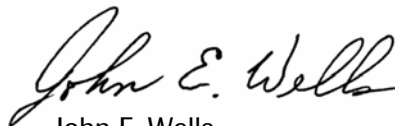
The undersigned certify that we have reviewed the September 30, 2008 quarterly report of Farm Credit of the Virginias, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



David E. Lawrence
Chief Executive Officer



David G. Sauer
Chief Financial Officer



John E. Wells
Chairman of the Board

October 22, 2008

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

(dollars in thousands)

The following commentary reviews the consolidated financial condition and results of operations of Farm Credit of the Virginias, ACA (Association) for the period ended September 30, 2008. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2007 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including livestock, timber, poultry and field crops. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat impacts the level of dependency on a given commodity.

As of September 30, 2008, the gross loan volume of the Association was \$1,507,771. This was an increase of \$4,761 or .32% as compared to \$1,503,010 at December 31, 2007. Net loans outstanding at September 30, 2008, were \$1,502,597 as compared to \$1,499,316 at December 31, 2007. Net loans accounted for 94.5 percent of total assets as of September 30, 2008. The decrease in gross loan volume was due to a large increase in loan participations sold to the AgFirst Farm Credit Bank (Bank) during the third quarter. Loans sold to the Bank during the third quarter totaled \$130,887. Loan demand did slow during the third quarter as the impact of the slowing real estate market began to impact the Association.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory. Nonaccrual loans increased from \$8,211 at December 31, 2007, to \$11,521 at September 30, 2008. The increase was the result of several loans being downgraded to nonaccrual status.

Other property owned showed an increase of \$1,728 at September 30, 2008 compared to December 31, 2007. This increase was the result of a couple of loans going through the foreclosure process and the Association acquiring the property.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio. Factors considered in determining

the allowance for loan losses were generally based on recent historical charge-off experience adjusted for relevant environmental factors. The allowance for loan losses at September 30, 2008, was \$5,174.

RESULTS OF OPERATIONS

For the three months ended September 30, 2008

Net income for the three months ended September 30, 2008 totaled \$7,503, as compared to \$6,646 for the same period in 2007, an increase of \$857 or 12.89%. The increase in net income was primarily due to an increase in net interest income and noninterest income.

Net interest income increased \$888, or 10.14%, for the three months ended September 30, 2008, as compared to the same period in 2007. The increase in net interest income was primarily due to an increase in loan volume when compared to same period last year.

Noninterest income for the three months ended September 30, 2008, totaled \$3,277, as compared to \$2,830 for the same period of 2007, an increase of \$447 or 15.80%. The increase was primarily due to an increase in equity in earnings of the Bank. Equity in earnings of the Bank increased \$455, compared to the same period of 2007.

Noninterest expenses for the three months ended September 30, 2008 totaled \$4,725. This was a decrease of \$112, or 2.32%, compared to the same period of 2007. The decrease was mainly due to a decrease in employees' salaries and benefits.

For the nine months ended September 30, 2008

Net income for the nine months ended September 30, 2008 totaled \$19,302, as compared to \$21,492 for the same period in 2007, a decrease of \$2,190 or 10.19%. The decrease in net income was due to an increase in provision for loan loss and last year's net income being higher due to a refund of state income taxes.

Net interest income for the first nine months increased \$1,962 compared to the same period in 2007. The increase in net interest income was primarily due to an increase in loan volume compared to same period last year.

Provision for loan losses for the nine months ended September 30, 2008, totaled \$3,403 as compared to \$250 for the same period last year. The increase in the provision for loan losses was a result of maintaining the allowance for loan losses at an adequate level after taking a large charge-off on a loan during first quarter of 2008 and the growth in loan volume.

Noninterest income for the nine months ended September 30, 2008, totaled \$9,331, as compared to \$8,819 for the same period of 2007, an increase of \$512. The increase was primarily due to an increase in equity in earnings of the Bank.

Noninterest expenses for the nine months ended September 30, 2008 totaled \$14,701. This was an increase of \$889 compared to the same period of 2007. The increase was mainly due to an increase in employees' salaries and benefits, an increase in occupancy and equipment expenses, and higher Farm Credit System insurance fund premium expense.

The provision for income taxes for the nine months ended September 30, 2008, total \$56 as compared to a benefit for income taxes of \$566 for the same period in 2007. The benefit for income taxes in 2007 was a result of a refund of state income taxes. The refund was due to the 2001 settlement agreement with the IRS related to the taxability of earnings from the Association's long-term mortgage lending activities prior to 2001

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2008, was \$1,358,745 as compared to \$1,341,684 at December 31, 2007. The increase during the period is primarily attributed to the increase in loan volume.

CAPITAL RESOURCES

Total members' equity at September 30, 2008 totaled \$210,613, an increase of \$18,957, as compared to \$191,656 at December 31, 2007. The increase in members' equity was primarily attributed to earnings.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of September 30, 2008, the Association's total surplus ratio and core surplus ratio were 10.46 percent and 10.46 percent, respectively, and the permanent capital ratio was 11.70 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

SIGNIFICANT EVENT

Effective July 1, 2008, the Association and Valley Farm Credit, ACA (Valley) entered into an agreement where David Lawrence, in addition to being chief executive officer of the Association, would serve as chief executive officer for Valley. This action was taken because Valley's chief executive officer retired in June, 2008. On August 22, 2008, the agreement between the Association and Valley was ended.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 378, or writing Stephen Gilbert, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 540-886-3435, ext. 620, or writing David Sauer, Farm Credit of the Virginias, ACA, P.O. Box 899, Staunton, VA 24402, or accessing the website, www.farmcreditofvirginias.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of the Virginias, ACA
Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2008 <i>(unaudited)</i>	December 31, 2007 <i>(audited)</i>
Assets		
Cash	\$ 1,692	\$ 3,627
Loans	1,507,771	1,503,010
Less: allowance for loan losses	5,174	3,694
Net loans	1,502,597	1,499,316
Loans held for sale	509	443
Other investments	14,766	15,065
Accrued interest receivable	14,726	10,661
Investment in other Farm Credit institutions	31,398	21,022
Premises and equipment, net	5,657	5,908
Other property owned	2,524	796
Due from AgFirst Farm Credit Bank	8,133	11,240
Other assets	7,546	6,013
Total assets	\$ 1,589,548	\$ 1,574,091
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 1,358,745	\$ 1,341,684
Accrued interest payable	5,778	6,565
Patronage refund payable	44	18,306
Other liabilities	14,368	15,880
Total liabilities	1,378,935	1,382,435
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	18,553	18,517
Retained earnings		
Allocated	62,782	63,629
Unallocated	129,270	109,502
Accumulated other comprehensive income (loss)	8	8
Total members' equity	210,613	191,656
Total liabilities and members' equity	\$ 1,589,548	\$ 1,574,091

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

Farm Credit of the Virginias, ACA
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Interest Income				
Loans	\$ 27,755	\$ 27,768	\$ 83,397	\$ 80,219
Other	192	202	585	547
Total interest income	27,947	27,970	83,982	80,766
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	18,300	19,211	55,851	54,597
Net interest income	9,647	8,759	28,131	26,169
Provision for (reversal of allowance for) loan losses	660	100	3,403	250
Net interest income after provision for (reversal of allowance for) loan losses	8,987	8,659	24,728	25,919
Noninterest Income				
Loan fees	268	154	884	634
Fees for financially related services	14	12	36	47
Equity in earnings of other Farm Credit institutions	2,913	2,458	8,133	6,986
Gains (losses) on other property owned, net	(18)	(4)	(207)	(28)
Gains (losses) on sale of rural home loans, net	107	177	346	521
Other noninterest income	(7)	33	139	659
Total noninterest income	3,277	2,830	9,331	8,819
Noninterest Expense				
Salaries and employee benefits	2,666	2,817	8,289	8,064
Occupancy and equipment	312	321	984	1,022
Insurance Fund premium	525	539	1,675	1,545
Other operating expenses	1,222	1,160	3,753	3,181
Total noninterest expense	4,725	4,837	14,701	13,812
Income before income taxes	7,539	6,652	19,358	20,926
Provision (benefit) for income taxes	36	6	56	(566)
Net income	\$ 7,503	\$ 6,646	\$ 19,302	\$ 21,492

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

Farm Credit of the Virginias, ACA
**Consolidated Statements of Changes in
Members' Equity**

(unaudited)

(dollars in thousands)

	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2006	\$ 18,318	\$ 54,845	\$ 106,580	\$ —	\$ 179,743
Net income			21,492		21,492
Capital stock/participation certificates issued/(retired), net	140				140
Patronage distribution adjustment		371	(365)		6
Balance at September 30, 2007	\$ 18,458	\$ 55,216	\$ 127,707	\$ —	\$ 201,381
Balance at December 31, 2007	\$ 18,517	\$ 63,629	\$ 109,502	\$ 8	\$ 191,656
Net income			19,302		19,302
Capital stock/participation certificates issued/(retired), net	36				36
Patronage distribution adjustment		(847)	468		(379)
Employee benefit plans adjustments			(2)	—	(2)
Balance at September 30, 2008	\$ 18,553	\$ 62,782	\$ 129,270	\$ 8	\$ 210,613

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

Farm Credit of the Virginias, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

(unaudited)

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements include the accounts of Farm Credit of the Virginias, ACA (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2007, are contained in the 2007 Annual Report to Shareholders. These unaudited third quarter 2008 consolidated financial statements should be read in conjunction with the 2007 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP) and prevailing practices within the banking industry. The results for the nine months ended September 30, 2008, are not necessarily indicative of the results to be expected for the year ending December 31, 2008.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's consolidated financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of September 30, 2008, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In December 2007, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141R, "Business Combinations" (SFAS 141R). SFAS 141R requires business combinations to be accounted for under the acquisition method of accounting (previously called the purchase method). The acquisition method requires (a) identifying the acquirer, (b) determining the acquisition date, (c) recognizing and measuring the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, at their acquisition date fair values, and (d) recognizing and measuring goodwill

or a gain from a bargain purchase. SFAS 141R should be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early application is prohibited. The Association is still evaluating the provisions of SFAS 141R, but believes that its adoption will significantly impact its accounting for combinations/acquisitions that may occur in 2009 and beyond.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	For the nine months ended September 30,	
	2008	2007
Balance at beginning of period	\$ 3,694	\$ 2,445
Provision for (reversal of) loan losses	3,403	250
Loans (charged off), net of recoveries	(1,923)	(133)
Balance at end of period	<u>\$ 5,174</u>	<u>\$ 2,562</u>

NOTE 3 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the nine months ended September 30,	
	2008	2007
Pension	\$ 461	\$ 743
401(k)	229	209
Other postretirement benefits	388	438
Total	<u>\$ 1,078</u>	<u>\$ 1,390</u>

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 9/30/08	Projected Contributions For Remainder of 2008	Projected Total Contributions 2008
Pension	\$ 7	\$ 2	\$ 9
Other postretirement benefits	270	95	365
Total	<u>\$ 270</u>	<u>\$ 97</u>	<u>\$ 374</u>

As of September 30, 2008, contributions of \$7 have been made to the pension plan for 2008. Actuarial projections as of the last plan measurement date (September 30, 2007) anticipated total contributions of \$9 for 2008. However, a new funding policy adopted during 2008 and a declining investment market, which has impacted the discount rate and the return on plan assets, will require an additional contribution to be made prior to the next plan measurement date at December 31, 2008. The additional contribution amount will be determined by the plan's Sponsor Committee.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS 158)*, which required the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. The balance sheet recognition provisions of SFAS 158 were adopted at December 31, 2007 by the Association.

SFAS 158 also requires that employers measure the benefit obligation and plan assets as of the fiscal year end for fiscal years ending after December 15, 2008. In fiscal 2007 and earlier, a September 30 measurement date was used for pension and other postretirement benefit plans. The Standard provides two approaches for an employer to transition to a fiscal year end measurement date. The approach applied by the Association allows for the use of the measurements determined for the prior year end. Under this alternative, pension and other postretirement benefit expense measured for the three-month period October 1, 2007 to December 31, 2007 (determined using the September 30, 2007 measurement date) is reflected as an adjustment to beginning 2008 unallocated retained earnings. As a result, the Association decreased unallocated retained earnings and increased the pension liability by \$2.

Upon adoption, SFAS 158 further required the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of accumulated other comprehensive income (AOCI). These amounts are subsequently recognized as components of net periodic benefit costs. For the first nine months of 2008, \$0 has been recognized as a credit to AOCI and a debit to pension expense to reflect the amortization of the components previously recognized in AOCI.

Further details regarding employee benefit plans and adoption of SFAS 158 are contained in the 2007 Annual Report to Shareholders.