

September 30, 2011 QUARTERLY REPORT TO SHAREHOLDERS



Idaho AgCredit

When you grow, we grow.

OFFICE LOCATIONS

Blackfoot Branch/Admin Office

188 W Judicial
PO Box 985
Blackfoot, ID 83221
(208) 785-1510 or (800) 686-8910

Rexburg Branch Office

1586 N 2nd E
PO Box 986
Rexburg, ID 83440
(208) 356-5479 or (800) 632-8821

American Falls Branch Office

2883 Highway 39
PO Box 300
American Falls, Idaho 83211
(208) 226-5251 or (800) 831-5143

Twin Falls Contact Point

1411 East Falls Ave, Suite #905
Twin Falls, ID 83301
(208) 734-0635 or (800) 831-5143

ASSOCIATION DIRECTORS, OFFICERS AND STAFF

BOARD OF DIRECTORS

Mark R. Ricks, Chairman..... Felt
Twain S. Hayden, Vice Chairman Arbon
W. Brock Driscoll..... Aberdeen
Jennifer Ellis..... Blackfoot
Scott R. Giltner..... Jerome
Dennis W. Snarr..... Roberts
Mike Virtue Blackfoot

OFFICERS

Dan Allred President, CEO and CCO
Jim Chase Secretary and CFO
Greg Rose..... Vice President
Marc Fannesbeck Vice President
Adam C. Jensen Assistant Vice President

HEADQUARTERS STAFF

Ryan Funk..... IT Administrator and Programmer
Leslie Stephens Fiscal Operations Supervisor
Ingrid Denning..... Operations Assistant

BRANCH STAFF

Blackfoot Branch

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

Rexburg Branch

Marc Fannesbeck..... Branch Manager
Doug Eck Senior Loan Officer
Kirk Powell Senior Loan Officer
Heathe Weston..... Loan Officer
Nick Bazil Credit Analyst
Carrie Mackert Senior Operations Assistant
Tina Morton..... Senior Loan Processing Specialist

American Falls Branch

Adam C. Jensen Branch Manager
Dana Wood..... Loan Officer
Brian Woodworth Credit Analyst
Maxine Olson..... Operations Assistant
Meagan Reed Operations Assistant

Twin Falls Contact Point

Sean Zaugg Senior Loan Officer



When you grow, we grow.

REPORT OF MANAGEMENT

The financial statements of the Idaho Agricultural Credit Association and its wholly owned subsidiaries Idaho AgCredit, FLCA and Idaho AgCredit, PCA (collectively 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 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 staff, contract auditors, 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 2010 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 was presented in the 2010 Annual Report to Shareholders (Annual 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 Association (and therefore shareholders' investment in the Association) is materially affected by AgBank's financial condition and results of operations. The annual and quarterly reports of Idaho Agricultural Credit Association and AgBank are available upon request at no cost at the Association's administrative and branch offices, or on the websites at www.idahoagcredit.com and www.usagbank.com, respectively.

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.

Mark R. Ricks,
Board Chairman and
Audit Committee Chairman

Dan Allred,
President and CEO

Jim Chase
Secretary and CFO

October 19, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

(Dollars in thousands)

Overview and Economic Conditions:

The following discussion summarizes the financial position and results of operations of the Association for the three months ended September 30, 2011, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes, the March 31, 2011 and June 30, 2011 Quarterly Reports to Shareholders and the 2010 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

Economic conditions for the three months ended September 30, 2011 reflect higher than average commodity prices and as a result most loan customers are in better than average condition. Prospects for continued strong commodity prices appear likely for 2011 crops. Irrigation supplies for 2011 were above average. Agricultural real estate prices appear to be continuing an upward trend, although actual price changes vary by area. These increased prices could lead to increased loan risk on those operations purchasing higher cost land if real estate values and rental rates were to decrease. The Association's net income reflects the strong economic success of its customers.

Loan Portfolio:

Seasonal commercial loan activity and moderate mortgage growth activity increased gross loan volume by \$9,150 from \$204,152 at the end of the second quarter of 2011 to \$213,302 as of September 30, 2011. The 2011 seasonal commercial loan repayments and advances were typical of those experienced in a normal year. September 30, 2011 loan volume of \$213,302 was \$13,048 higher than the loan volume of \$200,254 on the same date in the prior year. The increase in loan volume from the same date last year reflects strong mortgage growth and a small increase in commercial loan volume.

Nonaccrual loan volume at September 30, 2011, was \$109, or .05% of gross loan volume, compared to \$108, or .05% on the same date in the prior year. The Association's total loan portfolio is presently graded 99.0% acceptable compared to 98.6% acceptable in the prior year. The Association's long-term goal for acceptable credit remains at 90.0% or better.

The Association's net investment in other property owned (or acquired property) at September 30, 2011, was \$0, the same as on the same date in the prior year. The Association's investment in accrual sales contracts at September 30, 2011, was \$196 compared to \$242 in the prior year. The Association's ratio of liabilities to net worth at September 30, 2011, was 4.47:1 compared to 4.53:1 the prior year. This ratio change (which reflects that total liabilities have increased slightly slower than net worth) has been accompanied by quality loan growth and an overall strong capital position.

Results of Operations:

The Association's net earnings of \$615 for the third quarter and \$3,128 year to date were down \$200 for the quarter and up \$1,145 year to date compared to the same periods in the prior year. Net interest income after the provision for loan losses was up \$259 for the quarter and \$800 year to date compared to the prior year, primarily due to strong loan growth, efforts to improve net interest rate spreads and favorable interest market conditions. Noninterest income was up \$774 year to date compared to the prior year, primarily due to AgBank's payment of all 2010 patronage in the first quarter of 2011 compared to payment of only a small portion of 2009 patronage in the first quarter of 2010. This timing change allowed AgBank to align payment of patronage in the year following when AgBank earned the income.

The provision for loan losses for the quarter reflected a net provision of \$282 compared to a net provision of \$402 for the quarter in the prior year. The net provision this quarter reflects management's election to add \$300 to the general Allowance for Loan Losses as a Management Adjustment, offset by normal provision reversals resulting from improved financial positions, risk ratings and collateral positions together with changes in loan volume and available commitment. The Allowance for Loan Losses account balance at September 30, 2011 totaled \$862 or .40% of gross loan volume compared to an allowance of \$669 or .33% of gross loan volume for the same date in the prior year. After assessing the relative risk, based upon economic conditions, historical annual loan loss experience and potential future losses, management believes the present allowance for loan losses adequately covers the inherent risk in the loan portfolio. Ultimate losses, which may be experienced by the Association, depend upon the impact of future commodity prices, real estate values, government subsidy and disaster programs, weather-related occurrences, operating decisions and public policy. These same factors may also generate recoveries to the Association of losses previously recognized.

Noninterest expenses including other gains and losses and the provision for income taxes year to date increased by \$429 compared to the same period in the prior year, and include \$50 in lower salary and employee benefit expenses, \$178 in higher Farm Credit Insurance Corporation (FCSIC) premiums (of which \$164 is due to rebates on premiums paid in prior years offset by an increase in volume and premium rates for 2011), \$225 in higher provision for income tax, \$15 in higher cost of space occupied, \$10 in higher FCA expenses, \$10 in higher travel costs, \$12 in higher communications expense, \$12 higher in advertising and net \$17 in higher other expenses.

Capital Resources:

Our shareholders' equity at September 30, 2011 was \$41,818, which increased \$3,152 from \$38,666 at December 31, 2010. This increase is due to net income offset by stock reductions. Since January 1, 2005, the Association's stock requirement has been the minimum allowed by regulation, which is the lesser of 2% of the outstanding principal balance or \$1,000 per customer (actual amount not rounded to thousands).

Other Matters:

In December 2010, AgBank and CoBank, ACB, another Farm Credit System Bank, executed a Letter of Intent to merge. On September 8, 2011, AgBank and CoBank announced that their voting stockholders had approved the proposed plan of merger between the two banks. The FCA had already granted preliminary approval to the transaction. Final approval from the FCA is expected following a statutorily required 35 day reconsideration period. The proposed merger is targeted to be effective on January 1, 2012. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(Whole Dollars)

	September 30, 2011 Unaudited	December 31, 2010 Audited	September 30, 2010 Unaudited
ASSETS			
Loans	\$213,302,225	\$209,069,532	\$200,254,409
Less allowance for loan losses	862,326	631,909	669,209
Net loans	212,439,899	208,437,623	199,585,200
Cash	809,239	1,852,836	1,986,329
Accrued interest receivable	4,590,981	3,589,264	4,544,319
Investment in U.S. AgBank, FCB	9,483,280	9,483,280	9,483,280
Premises and equipment, net	996,732	555,975	203,496
Other property owned	0	0	0
Deferred tax asset	199,900	199,900	254,800
Other assets	132,892	131,668	150,035
Total assets	\$228,652,923	\$224,250,546	\$216,207,459
LIABILITIES			
Note payable to U.S. AgBank, FCB	\$182,177,118	\$180,487,897	\$174,442,666
Advance conditional payments	3,503,549	2,694,462	1,542,059
Accrued interest payable	412,289	370,278	417,225
Patronage distributions payable	0	1,261,151	0
Pension liability	325,344	308,161	340,900
Other liabilities	416,434	462,227	356,053
Total liabilities	186,834,734	185,584,176	177,098,903
Commitments and Contingencies (See Notes)			
SHAREHOLDERS' EQUITY			
Capital stock and participation certificates	346,315	322,615	333,015
Allocated retained earnings	0	0	0
Unallocated retained earnings	41,471,874	38,343,755	38,775,541
Accumulated other comprehensive income/(loss)	0	0	0
Total shareholders' equity	41,818,189	38,666,370	39,108,556
Total liabilities and shareholders' equity	\$228,652,923	\$224,250,546	\$216,207,459

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF INCOME

(Whole Dollars)

	Three Months Ended September 30,		Year-to-Date Ended September 30,	
	2011	2010	2011	2010
INTEREST INCOME				
Loans	\$2,855,757	\$2,781,052	\$8,269,480	\$7,949,180
Investment securities and other	50	50	150	403
Total interest income	2,855,807	2,781,102	8,269,630	7,949,583
INTEREST EXPENSE				
Notes payable to U.S. AgBank, FCB	1,208,441	1,284,381	3,526,515	3,726,676
Advance conditional payments	13,903	2,832	23,628	13,652
Total interest expense	1,222,344	1,287,213	3,550,143	3,740,328
Net interest income	1,633,463	1,493,889	4,719,487	4,209,255
(Provision for) or reversal of loan losses	(282,243)	(401,953)	(230,417)	(520,684)
Net interest income after (provision)/reversal	1,351,220	1,091,936	4,489,070	3,688,571
NONINTEREST INCOME				
Patronage distributions from U.S. AgBank, FCB	0	0	825,748	133,719
Patronage distributions from PCA/FLCA Associations	0	0	66,372	19,748
Loan fees	20,542	8,984	80,077	60,709
Financially related services income	15,427	3,345	22,126	7,706
Other noninterest income	0	0	10,563	9,057
Total Noninterest Income	35,969	12,329	1,004,886	230,939
NONINTEREST EXPENSE				
Salaries and employee benefits	486,651	506,653	1,492,006	1,542,410
Director's Compensation	5,390	5,370	26,690	28,434
Occupancy and equipment	34,620	21,080	85,401	62,235
Farm Credit Insurance Fund premiums	26,316	22,687	78,340	(99,818)
Supervisory and examination costs	18,682	15,336	56,046	46,006
Data processing services	3,429	3,150	10,399	9,450
Purchased services	43,808	51,238	153,991	151,341
Losses/(Gains) on other property owned, net	0	0	0	0
Other noninterest expense	78,736	64,564	237,964	196,419
Total noninterest expense	697,632	690,078	2,140,837	1,936,477
Income (loss) before income taxes	689,557	414,187	3,353,119	1,983,033
(Provision for)/Benefit from income taxes	(75,000)	0	(225,000)	0
Net Income (loss)	\$614,557	\$414,187	\$3,128,119	\$1,983,033

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Whole Dollars)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2009	\$303,100	\$36,792,508	\$0	\$37,095,608
Net income		1,983,033		1,983,033
Adjustments (Rounding)				0
Stock issued	89,510			89,510
Stock retired	(59,595)			(59,595)
Balance at September 30, 2010	\$333,015	\$38,775,541	\$0	\$39,108,556
Balance at December 31, 2010	\$322,615	\$38,343,755	\$0	\$38,666,370
Net Income		3,128,119		3,128,119
Adjustments (Rounding)				0
Stock issued	110,510			110,510
Stock retired	(86,810)			(86,810)
Balance at September 30, 2011	\$346,315	\$41,471,874	\$0	\$41,818,189

The accompanying notes are an integral part of these financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

Note 1 – Organization and Significant Accounting Policies:

A description of the organization and operations of the Idaho Agricultural Credit Association (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2010, are contained in the 2010 Annual Report to Shareholders (Annual Report). These unaudited third-quarter 2011 financial statements should be read in conjunction with the Annual Report.

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan and postretirement benefits other than pensions, which should help financial statement users better understand the financial health of significant plans in which the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer, and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012 for non-public entities. The amendments should be applied retrospectively for all prior periods presented.

In June 2011, the FASB issued guidance entitled, "Comprehensive Income – Presentation of Comprehensive Income." This guidance is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements:

- A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income.
- In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income.

This guidance is to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance will not impact financial condition or results of operations, but will result in changes to the presentation of comprehensive income.

In May 2011, the FASB issued guidance entitled, "Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following:

1. Application of the highest and best use and valuation premise is only relevant when measuring the fair value of nonfinancial assets (does not apply to financial assets and liabilities.)
2. Aligning the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. As a result, an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets.
3. Clarifying that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy.
4. An exception to the requirement for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks.
5. Clarifying that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. Premiums or discounts related to size as a characteristic of the entity's holding (that is, a blockage factor) instead of as a characteristic of the asset or liability (for example, a control premium), are not permitted. A fair value measurement that is not a Level 1 measurement may include premiums or discounts other than blockage factors when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance.

6. Expansion of the disclosures about fair value measurements. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed.

The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted.

In January 2011, the FASB issued guidance entitled, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This guidance temporarily delayed the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." The effective date of the new disclosures about troubled debt restructurings (TDR) coincides with the guidance for determining what constitutes a TDR as described below.

In April 2011, the FASB issued its guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a TDR. In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. For nonpublic entities, the guidance is effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The Association is currently evaluating the impact of adoption of this Standard on the financial condition or results of operations. The adoption will result in additional disclosures.

In December 2010, U.S. AgBank, FCB (AgBank), the Association's funding bank, and CoBank executed a Letter of Intent to merge. The merged bank will continue to do business under the CoBank name and be headquartered in Colorado but will maintain AgBank's existing presence and operations in Wichita, Kansas, and Sacramento, California. In June 2011, the Farm Credit Administration (FCA) voted to grant preliminary approval of the proposed plan of merger between the two banks. The FCA serves as the independent regulator for both banks and the rest of the Farm Credit System. AgBank distributed disclosure and voting materials to its stockholder associations in July. On September 8, 2011, AgBank and CoBank announced that their voting stockholders have approved the proposed plan of merger between the two banks. Final approval from the FCA is expected following a statutorily required 35 day reconsideration period. The boards of the two banks have approved a merger effective date of January 1, 2012. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

In July 2010, the Financial Accounting Standards Board (FASB) issued guidance on "Disclosures about Credit Quality of Financing Receivables and the Allowance for Loan Losses." This guidance is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a roll-forward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables by class and the effect on the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this Standard should have no impact on the Association's financial condition or results of operations, but did result in additional disclosures.

In January 2010, the FASB issued guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurements by increasing transparency in financial reporting. The changes will provide for a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurements. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll-forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The

adoption of this guidance did not impact the Association's financial condition or results of operations but did result in additional disclosures.

The accompanying 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 and prevailing practices within the banking industry. Certain amounts in the prior period's financial statements have been reclassified to conform to the current period's financial statement presentation.

Note 2 – Loans and Allowance for Loan Losses:

A summary of loans (including related accrued interest) follows:

	September 30, 2011	December 31, 2010
Real estate mortgage	\$131,467	\$122,160
Production and intermediate term	84,801	86,945
Processing and marketing	494	1,722
Farm related business	1,131	1,832
Total loans	<u>\$217,893</u>	<u>\$212,659</u>

The Association had no loans in the categories of cooperatives, communications, energy, water and waste disposal, rural residential real estate, international, lease receivables and loans to other financial institutions for these periods.

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold (excluding related accrued interest) at September 30, 2011:

	Participations Purchased	Participations Sold
Real estate mortgage	\$25,869	\$20,761
Production and intermediate term	116	4,742
Agribusiness	0	2,376
Total	<u>\$25,985</u>	<u>\$27,879</u>

All of the Association's participations purchased and participations sold are with other Farm Credit Institutions. The Association had no participated loans in the categories of communications, energy, water and waste disposal, rural residential real estate, international, lease receivables and loans to other financial institutions for this period.

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	September 30, 2011	December 31, 2010
<u>Nonaccrual loans:</u>		
Real estate mortgage	\$109	\$108
Production and Intermediate term	0	0
Total nonaccrual loans	\$109	\$108
<u>Accruing restructured loans:</u>		
Total accruing restructured loans	\$0	\$0
<u>Accruing loans 90 days or more past due:</u>		
Total accruing loans 90 days or more past due	\$0	\$0
Total nonperforming loans	\$109	\$108
Other property owned	0	0
Total nonperforming assets	<u>\$109</u>	<u>\$108</u>

The Association had no nonperforming loans in the categories of agribusiness, communications, energy, water and waste disposal, rural residential real estate, international, lease receivables and loans to other financial institutions for these periods.

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of September 30, 2011:

	September 30, 2011	December 31, 2010
Real estate mortgage		
Acceptable	98.6%	97.9%
OAEM	1.1%	1.3%
Substandard	0.3%	0.8%
	<u>100.0%</u>	<u>100.0%</u>
Production and intermediate term		
Acceptable	96.6%	96.1%
OAEM	1.3%	2.5%
Substandard	2.1%	1.4%
	<u>100.0%</u>	<u>100.0%</u>
Agribusiness		
Acceptable	100.0%	100.0%
OAEM	0.0%	0.0%
Substandard	0.0%	0.0%
	<u>100.0%</u>	<u>100.0%</u>
Total loans		
Acceptable	97.8%	97.1%
OAEM	1.2%	1.8%
Substandard	1.0%	1.1%
	<u>100.0%</u>	<u>100.0%</u>

The recorded investment in loan receivables is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment. The following table provides an age analysis of past due loans (including accrued interest) as of September 30, 2011:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or <30 Days Past Due	Total Loans	>90 Days and Accruing
Real estate mortgage	\$112	\$108	\$220	\$131,247	\$131,467	\$0
Production and intermediate term	0	0	0	84,801	84,801	0
Processing and marketing	0	0	0	494	494	0
Farm related business	0	0	0	1,131	1,131	0
Total	<u>\$112</u>	<u>\$108</u>	<u>\$220</u>	<u>\$217,673</u>	<u>\$217,893</u>	<u>\$0</u>

The Association had no loans in the categories of cooperatives, communications, energy, water and waste disposal, rural residential real estate, international, lease receivables and loans to other financial institutions for this period.

Additional impaired loan information is as follows:

	At September 30, 2011			For the Three Months Ended Sept. 30, 2011		For the Nine Months Ended Sept. 30, 2011	
	Recorded Investment	Contractual Principal Balance	Related Specific Allowance	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Production and intermediate term	0	0	0	0	0	0	0
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	\$109	\$110	\$0	\$110	\$0	\$110	\$0
Production and intermediate term	0	52	0	0	0	0	32
Total	\$109	\$162	\$0	\$110	\$0	\$110	\$32
Total impaired loans:							
Real estate mortgage	\$109	\$110	\$0	\$110	\$0	\$110	\$0
Production and intermediate term	0	52	0	0	0	0	32
Total	\$109	\$162	\$0	\$110	\$0	\$110	\$32

The Association had no loans in the categories of agribusiness, communications, energy, water and waste disposal, rural residential real estate, international, lease receivables and loans to other financial institutions for these periods.

	At December 31, 2010			For the Year Ended December 31, 2010	
	Recorded Investment	Contractual Principal Balance	Related Specific Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	\$0	\$0	\$0	\$0	\$0
Production and intermediate term	0	0	0	0	0
Total	\$0	\$0	\$0	\$0	\$0
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	\$108	\$109	\$0	\$80	\$7
Production and intermediate term	0	81	0	0	45
Total	\$108	\$190	\$0	\$80	\$52
Total impaired loans:					
Real estate mortgage	\$108	\$109	\$0	\$80	\$7
Production and intermediate term	0	81	0	0	45
Total	\$108	\$190	\$0	\$80	\$52

The Association had no loans in the categories of agribusiness, communications, energy, water and waste disposal, rural residential real estate, international, lease receivables and loans to other financial institutions for these periods.

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

Allowance for Loan Losses	Real estate mortgage	Production and intermediate term	Agribusiness	Rural residential real estate	Total
Balance at December 31, 2010	\$263	\$361	\$8	\$0	\$632
Charge-offs	0	0	0	0	0
Recoveries	0	0	0	0	0
Provision for loan losses	135	99	(4)	0	230
Balance at September 30, 2011	\$398	\$460	\$4	\$0	\$862

The Association had no loans in the categories of communications, energy, water and waste disposal, international, lease receivables and loans to other financial institutions for the periods shown.

Note 3 – Capital:

There have not been any significant capitalization bylaw changes or significant other capitalization plan or status changes since the date of the Annual Report and the Association is in compliance with FCA capital regulations.

Note 4 – Income Taxes:

There have not been any significant changes in the composition or valuation of tax assets or liabilities since the date of the Annual Report.

Note 5 – Fair Value Measurements:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 15 "Disclosures about Fair Value of Financial Instruments" of the Annual Report for a more complete description.

Note 6 – Contingent Liabilities and Litigation:

The Association has various commitments outstanding and contingent liabilities, as described in Note 14 "Commitments and Contingencies" of the Annual Report. There have not been any significant changes related to this subject area since that report, other than normal seasonal and operational variations in the amounts of outstanding commitments and deposit balances. There are no legal actions pending against the Association.

Note 7 – Subsequent Events:

The Association has evaluated subsequent events through October 19, 2011, which is the date the financial statements were available to be issued.