2011 FIRST QUARTER REPORT
TEXAS FARM CREDIT DISTRICT
MARCH 31, 2011

FIRST QUARTER 2011

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

(dollars in thousands, except as noted)

The following discussion reviews the combined financial condition and results of operations of the Farm Credit Bank of Texas (bank), its affiliated Federal Land Credit Association (FLCA) and affiliated Agricultural Credit Associations (ACAs) for the three months ended March 31, 2011. The FLCA and ACAs are collectively referred to as associations, and the bank and its affiliated associations are collectively referred to as the district. These comments should be read in conjunction with the accompanying combined financial statements and footnotes, along with the 2010 Annual Report to stockholders. The accompanying financial statements were prepared under the oversight of the bank's audit committee.

RESULTS OF OPERATIONS

Net Income

Net income for the three months ended March 31, 2011, was $90,645, an increase of $2,565, or 2.9 percent, over the same period of 2010. The increase in net income for the three months ended March 31, 2011, consisted of a $15,681 increase in net interest income, a $1,900 decrease in provision for loan losses, offset by a $14,718 decrease in noninterest income, an $89 decrease in benefit from income taxes and a $209 increase in noninterest expense.

Net Interest Income

Net interest income for the three months ended March 31, 2011, was $153,927, an increase of $15,681, or 11.3 percent, over the same period of 2010. The increase in net interest income was attributable to an increase in the district's net interest rate spread of 35 basis points and a volume increase in the district's earning assets of $417.2 million. The interest rate spread increased primarily as a result of a 77-basis-point reduction in the effective rate on debt for the three months ended March 31, 2011, which was achieved largely due to the bank's ability to call higher-cost debt and replace it with lower-cost debt during that period. Interest rate spreads at the district's associations improved slightly for the three months ended March 31, 2011, compared to the same period of 2010. The increase in the district's earning assets was the net effect of an increase in investments offset by a decrease in loans. The district's loan volume decreased for the three months ended March 31, 2011, due to scheduled repayments and limited growth within the loan portfolio due to general economic conditions, which resulted in a decline in demand for rural real estate, and enhanced credit standards.

Provision for Loan Losses

The district's provision for loan losses and provision for losses on standby letters of credit for the three months ended March 31, 2011, was $20,983, a decrease of $1,900, or 8.3 percent, from the $22,883 provision for the first quarter 2010. The provisions recorded for the three months ended March 31, 2011, included significant provisions related to land in transition, livestock and dairy, as well as other borrowers impacted by the overall downturn in the general economy.

Noninterest Income

Noninterest income for the three months ended March 31, 2011, was $9,163, a decrease of $14,718, or 61.6 percent, from the same period of 2010. The decrease was primarily due to refund distributions in the first quarter of 2010 from the Farm Credit System Insurance Corporation (FCSIC or Insurance Fund) totaling $22,268, a $529 decrease from the 2010 gain on sale of investments, and a $553 increase in credit losses recognized on other-than-temporarily impaired investment securities, offset by a $1,258 increase in fees for loan-related services, a $7,248 decrease from the 2010 losses an association incurred on the sale of loans, and a $126 increase in all other noninterest income items, collectively. The distributions from the FCSIC recognized in the first quarter of 2010 were nonrecurring distributions of excess reserves. The refund in 2010 was included in Miscellaneous income, net, in this report's Combined Statements of Income.

Noninterest Expense

Noninterest expense for the three months ended March 31, 2011, was $51,968, an increase of $209, or 0.4 percent, over the same period of 2010. The increase is primarily attributable to a $4,505 increase in salaries and benefits and a $377 increase in occupancy and equipment expenses, offset by a $3,164 decrease in net losses on other property owned and a $1,513 decrease in premiums to the Insurance Fund. Salaries and benefits increased as the amount that was capitalized as a cost of loan originations decreased compared to 2010. As loan originations have decreased in 2010, the salaries and benefits capitalized as part of the cost of those loan originations have decreased. In addition, salaries capitalized as part of the development of bank's lending systems decreased since the first phase was completed in July 2010. Offsetting these increases to salaries was an $873 decrease in pension and retirement expenses. The $3,164 decrease in losses on other property owned was due mainly to a $3,527 reduction in the provision for losses on property acquired by district associations from the first quarter of 2010. Premiums to the Insurance Fund decreased due primarily to a reduction in rates. Premiums for the quarter ended March 31, 2011, were accrued at a 6-basis-point rate, while premiums for the same period of 2010 were accrued at a 10-basis-point rate. The 2010 rate was later adjusted retroactively to 5 basis points for 2010.

Key results of operations comparisons:

	Annualized for the Three Months Ended 3/31/2011	Annualized for the Three Months Ended 3/31/2010
Return on average assets	**1.88%**	1.86%
Return on average members' equity	**12.15%**	13.76%
Net interest income as a percentage of average earning assets	**3.30%**	3.03%
Charge-offs, net of recoveries, to average loans	**0.35%**	0.16%
Operating expenses as a percentage of net interest income and noninterest income	**30.98%**	29.08%
Operating expenses as a percentage of average earning assets	**1.08%**	1.03%

FINANCIAL CONDITION

Loan Portfolio

Gross loan volume at March 31, 2011, was $15,609,672, a decrease of $19,218, or 0.1 percent, from $15,628,890 at December 31, 2010, and a decrease of $176,815, or 1.1 percent, from $15,786,487 at March 31, 2010. The reduction in the loan portfolio during the first three months of 2011 was due to the lessening of loan demand and the enhancement of underwriting standards by district lenders during the recent adverse economic environment.

Loans classified under the Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" as a percentage of total loans and accrued interest receivable were 93.1 percent at March 31, 2011, 93.2 percent at December 31, 2010, and 93.6 percent at March 31, 2010. Nonaccrual loans for the district were 4.8 percent of total loans at March 31, 2011, compared to 4.37 percent at December 31, 2010, and 3.7 percent at March 31, 2010. The decrease in credit quality reflects deterioration primarily in those borrowers impacted by the overall downturn in the general economy, especially borrowers in the land in transition sector.

Total district high-risk asset volume increased by $76.3 million, or 9.9 percent, to $848.9 million at March 31, 2011, from $772.6 million at December 31, 2010.

Comparative balances of high-risk assets follow (in millions):

			Increase (Decrease)			
		March 31, 2011	$	%		December 31, 2010
Nonaccrual loans	**$**	**750.6**	$ 67.5	9.9	%	$ 683.1
Formally restructured loans		**11.5**	2.5	27.8		9.0
Loans 90 days past due and still accruing interest		**7.7**	5.3	220.8		2.4
Total impaired loans		**769.8**	75.3	10.8		694.5
Other property owned, net		**79.1**	1.0	1.3		78.1
Total high-risk assets	**$**	**848.9**	$ 76.3	9.9	%	$ 772.6

The $67.5 million increase in nonaccrual loans from December 31, 2010, to March 31, 2011, is primarily the result of increases in the land in transition and livestock sectors, offset by decreases in the dairy sector. District charge-offs, which totaled $14.7 million in the first three months of 2011, included charge-offs against loans to borrowers in the land in transition, ethanol and livestock sectors. At March 31, 2011, $262.0 million, or 34.9 percent, of the district's nonaccrual loans were considered current as to principal and interest. Continued satisfactory payment performance on these loans may indicate potential for a return to accrual status. At March 31, 2011, the district had $84.7 million in nonaccrual loans on which interest income is recognized upon cash receipts, compared to $90.5 million at December 31, 2010. Impaired loans, consisting of nonaccrual loans, formally restructured loans, and loans past due 90 days or more and still accruing interest, constituted 4.93 percent of gross loans at March 31, 2011, and 4.44 percent of gross loans at December 31, 2010.

The $169,885 allowance for loan losses at March 31, 2011, constituted 1.09 percent of total loans. The allowance for loan losses as a percentage of impaired loans was 22.1 percent as of March 31, 2011, as compared to 23.5 percent as of December 31, 2010. The nature of the security (primarily first lien real estate) supporting many of the impaired loans is considered in the determination of necessary allowances for loan losses. The district also had reserves for losses on unfunded commitments totaling $1,086 at March 31, 2011, which was a general reserve for credit losses on letters of credit and unfunded commitments, representing management's estimate of probable credit losses related to letters of credit and unfunded commitments.

Liquidity and Funding Sources

Cash and available-for-sale investment securities totaled $3,485,806, or 18.1 percent, of total assets at March 31, 2011, compared to $3,705,322, or 18.9 percent, at December 31, 2010, a decrease of $219,516, or 5.9 percent. At March 31, 2011, the district's cash balance was $241,617, a decrease of $211,705 from the balance at December 31, 2010. Cash held at the Federal Reserve Bank at March 31, 2011, totaled $214.8 million, compared to $412.1 million at December 31, 2010. The bank manages levels of cash and other highly liquid assets to meet loan demand, debt servicing, and other liquidity needs. At March 31, 2011, the bank had 171 days of liquidity to cover cash flows required for maturing debt obligations. Interest-bearing liabilities, consisting of bonds, notes and subordinated debt, decreased by $278,707, or 1.7 percent.

Investments

The district's investments included an available-for-sale portfolio with a fair value of $3.1 billion and a held-to-maturity portfolio recorded at an amortized cost of $147.1 million at March 31, 2011. The available-for-sale investments included a liquidity portfolio and a portfolio of other investments. The district's available-for-sale liquidity portfolio consisted primarily of federal agency collateralized mortgage-backed securities, FDIC-guaranteed corporate debt, corporate debt, other collateralized mortgage-backed securities and asset-backed securities. The available-for-sale portfolio of other investments consisted of Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) that had a fair value of $137.7 million. The district's held-to-maturity portfolio consisted of Farmer Mac AMBS that had a fair value of $146.5 million.

The Farmer Mac AMBS are backed by loans originated by the associations and previously held by the associations under Farmer Mac's long-term standby commitments to purchase agreements. Farmer Mac is a government-sponsored enterprise (GSE) and is examined and regulated by FCA. It provides secondary market arrangements for agricultural and rural home mortgage loans that meet certain underwriting standards. Farmer Mac is authorized to provide loan guarantees or be a direct pooler of agricultural mortgage loans. Farmer Mac is owned by both System and non-System investors, and its board of directors has both System and non-System representation. Farmer Mac is not liable for any debt or obligation of any System institution and no System institution other than Farmer Mac is liable for any debt or obligation of Farmer Mac.

The district's available-for-sale liquidity portfolio consisted of FDIC-guaranteed corporate debt, corporate debt, mortgage-backed and asset-backed securities as follows (in thousands):

	March 31, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
FDIC-guaranteed corporate debt	$ 300,101	$ 301,402	$ 300,531	$ 302,091
Corporate debt	21,867	21,946	-	-
Federal agency collateralized mortgage-backed securities	2,523,419	2,547,630	2,524,022	2,559,429
Other collateralized mortgage-backed securities	62,667	59,601	71,192	64,918
Asset-backed securities	9,818	8,413	11,493	10,005
Total available-for-sale investments	$ 2,917,872	$ 2,938,992	$ 2,907,238	$ 2,936,443

The bank's available-for-sale other investments portfolio consisted of Farmer Mac AMBS securities as follows:

	March 31, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Agricultural mortgage-backed securities	$ 141,940	$ 137,728	$ 145,122	$ 140,503

Federal agency collateralized mortgage-backed securities comprised 86.7 percent of the bank's liquidity portfolio. Pricing on agency securities remains strong due to stabilization in the agency market, and increased demand for quality agency structures. The decreases in other collateralized mortgage-backed securities and asset-backed securities are due primarily to repayments on those securities.

The bank recognized other-than-temporary impairment losses on five mortgage-backed investments and one asset-backed security during the quarter ended March 31, 2011. The credit portion of the impairment losses, recognized as a loss in earnings, totaled $1,895. The non-credit-related net increase in fair value on the bank's other-than-temporarily impaired investments for the three months ended March 31, 2011, totaling $1,430, is included as a credit to other comprehensive income. The bank performs other-than-temporary impairment assessments on investment securities based on evaluations of both current and future market and credit conditions at each quarter end. The process for evaluation of impairment of investments is more fully discussed in Note 2, "Investments."

Farm Credit Administration regulations define eligible investments by specifying credit rating criteria, final maturity limit, percentage of investment portfolio limit and certain other requirements for each investment type. At the time the investments are purchased, they must be highly rated by at least one Nationally Recognized Statistical Rating Organization (NRSRO), such as Moody's Investors Service, Standard & Poor's or Fitch Ratings. If an investment no longer meets the credit rating criteria, the investment becomes ineligible. A bank must dispose of an investment that becomes ineligible within six months, unless the Farm Credit Administration approves, in writing, a plan that authorizes the bank to divest the instrument over a longer period of time. The Farm Credit Administration has approved, with conditions, plans submitted by the bank to continue to hold all ineligible investments at this time. To date, the Farm Credit Administration has not required disposition of any of these securities.

At March 31, 2011, the bank held 11 investments that were ineligible for liquidity purposes by FCA regulations, due to credit ratings that were below AAA by all NRSROs. Those ineligible securities had an amortized cost basis of $50,404 and a fair value of $46,859 at March 31, 2011.

The following table sets forth investments available-for-sale within the liquidity portfolio at fair value by credit rating:

	Eligible			Ineligible					
March 31, 2011	AAA/Aaa	AA/Aa	Split Rated	AA/Aa	BBB/Baa	BB/Ba	B3/CCC/ CC	CCC/Caa	Total
FDIC-guaranteed corporate debt	$ 301,402	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 301,402
Corporate debt	-	21,946	-	-	-	-	-	-	21,946
Federal agency collateralized									
mortgage-backed securities	2,547,630	-	-	-	-	-	-	-	2,547,630
Other collateralized									
mortgage-backed securities	3,685	-	11,160	11,608	-	5,956	5,407	21,785	59,601
Asset-backed securities	2,554	-	3,756	-	188	-	1,607	308	8,413
Total	$ 2,855,271	$ 21,946	$ 14,916	$ 11,608	$ 188	$ 5,956	$ 7,014	$ 22,093	$ 2,938,992

	Eligible			Ineligible					
December 31, 2010	AAA/Aaa	AA/Aa	Split Rated	AA/Aa	BBB/Baa	BB/Ba	B3/CCC/ CC	CCC/Caa	Total
FDIC-guaranteed corporate debt	$ 302,091	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 302,091
Federal agency collateralized									
mortgage-backed securities	2,559,429	-	-	-	-	-	-	-	2,559,429
Other collateralized									
mortgage-backed securities	5,918	-	10,896	11,745	-	6,953	6,293	23,113	64,918
Asset-backed securities	3,294	-	4,305	-	418	1,668	-	320	10,005
Total	$ 2,870,732	$ -	$ 15,201	$ 11,745	$ 418	$ 8,621	$ 6,293	$ 23,433	$ 2,936,443

Capital Resources

At March 31, 2011, the bank had $482.0 million in preferred stock outstanding, consisting of $182.0 million in Class A cumulative perpetual preferred stock and $300.0 million of Class B non-cumulative subordinated perpetual preferred stock. The Class B preferred stock was issued in August 2010. The Class B preferred stock is not mandatorily redeemable at any time, but may be redeemed in whole or in part at the option of the bank after the dividend payment date in June 2020. The Class B preferred stock ranks junior, both as to dividends and upon liquidation, to the bank's Class A preferred stock, and senior to all of the bank's outstanding capital stock. For regulatory purposes, the Class B preferred stock is included in permanent capital, total surplus and core surplus within certain limitations. Due to regulatory limitations on third-party capital, the preferred stock issuance will require that subordinated debt no longer receive favorable treatment in the bank's net collateral ratio or other regulatory capital ratios.

As of March 31, 2011, the bank and all district associations exceeded all regulatory liquidity requirements. Total members' equity increased $78,582, or 2.6 percent, from December 31, 2010, to the March 31, 2011, total of $3,044,913. This increase is the result of net income of $90,645 for the three months ended March 31, 2011, and amortization related to retirement benefits of $1,937, offset by a $7,678 decrease in unrealized gains on investment securities, patronage paid of $4,454, a $1,178 unrealized net loss on cash flow hedge instruments, and net stock retirements at district associations of $690.

The change in unrealized losses on investment securities was due primarily to changes in the market value of fixed-rate mortgage-backed securities, whose values have changed as interest rates have fluctuated during the period, and to changes in the market value of mortgage-backed and asset-backed securities.

Key financial condition comparisons:

	March 31, 2011	December 31, 2010
Members' equity to assets	**15.77%**	15.17%
Total liabilities to members' equity	**5.34:1**	5.59:1
Allowance and reserve for credit losses to total loans	**1.10%**	1.04%

OTHER

Effects of Drought Conditions in the Texas District — While the eastern states of the Texas District have had adequate moisture throughout the quarter ended March 31, 2011, drought conditions in Texas and New Mexico have had an impact on agriculture, primarily in New Mexico and the western and southern regions of Texas. Fortunately for the Texas District entities, there is not significant exposure to wheat, which was severely impacted in the plains in West Texas and New Mexico. Also, in New Mexico and West Texas, the drought was evident early enough for farmers to limit planting, and exposure has also been mitigated by crop insurance. While credit quality is not expected to change substantially, production loan volume is expected to be below normal for the year for these affected areas.

Cattle producers in general have done well due to record cattle prices experienced in the first quarter of 2011. Since 2010, high feed costs and good cattle prices have resulted in a reduction of herd sizes. Drought in the region and wildfires in West Texas have intensified this trend, as the loss of thousands of acres of grazing land has moved more cattle to feedlots. The movement of cattle to feedlots may squeeze some of the above-normal profit margin cattle producers experienced in the first quarter of 2011.

In South Texas, crop conditions were not as alarming, as some of the crops are irrigated and much of the dry-land crops benefitted from early season moisture. Continued drought conditions would have a more significant impact on the dry-land crops, in that some crop deterioration is becoming evident in certain pockets of the territory. Crop insurance has also mitigated much of the risk in South Texas, as the majority of our borrowers utilize crop insurance.

REGULATORY MATTERS

During the quarter ended March 31, 2011, the Farm Credit Administration (FCA) brought an enforcement action against one association in the district. As of March 31, 2011, FCA had enforcement actions in place against four associations in the district, which have not had, and are not expected to have, a significant impact on the bank.

The undersigned certify that we have reviewed the March 31, 2011, quarterly report of the Farm Credit Bank of Texas and district associations, that the report has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information included herein is true, accurate and complete to the best of our knowledge and belief.

Larry R. Doyle	Ralph W. Cortese
Chief Executive Officer	Chairman of the Board

Amie Pala
Chief Financial Officer

May 10, 2011

Controls and Procedures

The Farm Credit Bank of Texas (bank) maintains a system of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information disclosed by us in our quarterly and annual reports is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions to be made regarding disclosure. With management's input, the chief executive officer and chief financial officer evaluated our disclosure controls and procedures as of the end of and for the period covered by this quarterly report, and have concluded that our disclosure controls and procedures are effective as of that date. This evaluation relies upon the evaluations made by the individual associations and the related certifications they provide to the bank.

The bank also maintains a system of internal controls. The "internal controls" as defined by the American Institute of Certified Public Accountants' Codification of Statement on Auditing Standards, AU Section 319, means a process — effected by the board of directors, management and other personnel — designed to provide reasonable assurance regarding the achievement of objectives in the reliability of our financial reporting, the effectiveness and efficiency of operations, and of compliance with applicable laws and regulations. We continually assess the adequacy of our internal control over financial reporting and enhance our controls in response to internal control assessments and internal and external audit and regulatory recommendations. There have been no significant changes in our internal controls or in other factors that could significantly affect such controls subsequent to the date we carried out our evaluations.

Larry R. Doyle Chief Executive Officer	Amie Pala Chief Financial Officer

May 10, 2011

Combined Balance Sheets

(dollars in thousands)	**March 31, 2011 (Unaudited)**	December 31, 2010
Assets		
Cash	**$ 241,617**	$ 453,322
Federal funds sold	**20,332**	20,438
Investment securities	**3,223,857**	3,231,562
Loans	**15,609,672**	15,628,890
Less allowance for loan losses	**169,885**	163,145
Net loans	**15,439,787**	15,465,745
Accrued interest receivable	**146,963**	154,023
Other property owned, net	**79,127**	78,124
Premises and equipment, net	**62,266**	62,539
Other assets	**91,304**	89,831
Total assets	**$ 19,305,253**	$ 19,555,584
Liabilities and members' equity		
Liabilities		
Bonds and notes, net	**$ 15,901,225**	$ 16,179,932
Subordinated debt	**50,000**	50,000
Accrued interest payable	**49,076**	45,881
Patronage distributions payable	**38,844**	66,011
Preferred stock dividends payable	**21,881**	21,881
Other liabilities	**199,314**	225,548
Total liabilities	**16,260,340**	16,589,253
Commitments and contingent liabilities (Note 4)		
Members' equity		
Preferred stock, net	**482,000**	482,000
Capital stock and participation certificates	**61,153**	61,843
Allocated retained earnings	**327,719**	327,435
Unallocated retained earnings	**2,207,487**	2,121,822
Additional paid-in-capital	**22,864**	22,622
Accumulated other comprehensive loss	**(56,310)**	(49,391)
Total members' equity	**3,044,913**	2,966,331
Total liabilities and members' equity	**$ 19,305,253**	$ 19,555,584

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

Combined Statements of Income

(unaudited)

(dollars in thousands)	Quarter Ended March 31, 2011	2010
Interest Income		
Investment securities	**$ 17,419**	$ 18,015
Loans	**192,063**	206,241
Total interest income	**209,482**	224,256
Interest Expense		
Bonds and notes	**49,138**	75,778
Notes payable and other	**6,417**	10,232
Total interest expense	**55,555**	86,010
Net interest income	**153,927**	138,246
Provision for loan losses	**20,983**	22,883
Net interest income after provision for loan losses	**132,944**	115,363
Noninterest Income		
Patronage income	**5,024**	4,993
Loan-related fees	**5,167**	3,909
Gain from sale of investment securities	**-**	529
Miscellaneous income, net	**867**	15,792
Impairment losses on investments		
Total other-than-temporary impairment losses	**(465)**	(277)
Less: portion of gain recognized in other comprehensive income	**1,430**	1,065
Net impairment loss recognized in earnings	**(1,895)**	(1,342)
Total noninterest income	**9,163**	23,881
Noninterest Expense		
Salaries and employee benefits	**30,271**	25,766
Occupancy and equipment	**4,219**	3,842
Insurance Fund premiums	**2,230**	3,743
Losses on other property owned, net	**1,446**	4,610
Other operating expenses	**13,802**	13,798
Total noninterest expense	**51,968**	51,759
Income before provision for income taxes	**90,139**	87,485
Benefit from income taxes	**(506)**	(595)
Net Income	**$ 90,645**	$ 88,080

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

Combined Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Preferred Stock	Capital Stock	Allocated Retained Earnings	Unallocated Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2009	$ 202,754	$ 63,202	$ 266,991	$ 2,061,299	$ -	$ (76,842)	$ 2,517,404
Comprehensive income							
Net income	-	-	-	88,080	-	-	88,080
Change in pension and postretirement benefit plans	-	-	-	-	-	2,201	2,201
Net change in unrealized net gains on investment securities	-	-	-	-	-	(1,247)	(1,247)
Noncredit portion of current other-than-temporary impairment losses	-	-	-	-	-	1,065	1,065
Net change in unrealized net losses on cash flow derivatives	-	-	-	-	-	(1,823)	(1,823)
Total comprehensive income	-	-	-	88,080	-	196	88,276
Capital stock/participation certificates issued	-	1,728	-	-	-	-	1,728
Capital stock/participation certificates and allocated retained earnings retired	-	(2,111)	(11)	-	-	-	(2,122)
Patronage distributions							
Cash	-	-	-	(2,349)	-	-	(2,349)
Members' equity	-	-	210	(210)	-	-	-
Balance at March 31, 2010	$ 202,754	$ 62,819	$ 267,190	$ 2,146,820	$ -	$ (76,646)	$ 2,602,937
Balance at December 31, 2010	$ 482,000	$ 61,843	$ 327,435	$ 2,121,822	$ 22,622	$ (49,391)	$ 2,966,331
Comprehensive income							
Net income	-	-	-	90,645	-	-	90,645
Change in pension and postretirement benefit plans	-	-	-	-	-	1,937	1,937
Net change in unrealized net gains on investment securities	-	-	-	-	-	(9,108)	(9,108)
Noncredit portion of current other-than-temporary impairment losses	-	-	-	-	-	1,430	1,430
Net change in unrealized net losses on cash flow derivatives	-	-	-	-	-	(1,178)	(1,178)
Total comprehensive income	-	-	-	90,645	-	(6,919)	83,726
Capital stock/participation certificates issued	-	1,760	-	-	-	-	1,760
Capital stock/participation certificates and allocated retained earnings retired	-	(2,450)	-	-		-	(2,450)
Equity related to association merger	-	-	-	(242)	242	-	-
Patronage distributions							
Cash	-	-	-	(4,454)	-	-	(4,454)
Members' equity	-	-	284	(284)	-	-	-
Balance at March 31, 2011	**$ 482,000**	**$ 61,153**	**$ 327,719**	**$ 2,207,487**	**$ 22,864**	**$ (56,310)**	**$ 3,044,913**

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

Combined Statements of Cash Flows

(unaudited)

(dollars in thousands)	Three Months Ended March 31, 2011	2010
Operating activities		
Net income	**$ 90,645**	$ 88,080
Reconciliation of net income to net cash provided by operating activities		
Provision for loan losses	**20,983**	22,883
Provision for losses on other property owned	**1,122**	4,438
Depreciation and amortization on premises and equipment	**1,691**	1,446
Accretion of net discount on loans	**(167)**	(144)
Amortization and accretion on debt instruments	**(1,113)**	(1,302)
Amortization of net premium on investment securities	**2,705**	2,182
Gain on sale of investment securities	**-**	(529)
Gains from sales of other property owned, net	**(93)**	(738)
Losses on impairment of investments available for sale	**1,895**	1,342
Gains from sales of premises and equipment	**(453)**	(2,417)
Allocated equity patronage from System bank	**(12,247)**	(12,487)
Decrease in accrued interest receivable	**7,060**	10,899
Decrease in other assets	**9,236**	17,245
Increase (decrease) in accrued interest payable	**3,195**	(1,733)
Decrease in other liabilities	**(34,712)**	(35,791)
Net cash provided by operating activities	**89,747**	93,374
Investing activities		
Net decrease in federal funds sold	**106**	65
Investment securities		
Purchases	**(216,968)**	(964,285)
Proceeds from maturities, calls and prepayments	**212,394**	278,612
Proceeds from sales	**-**	34,247
Redemption of investment in Farmer Mac preferred stock	**-**	7,000
(Increase) decrease in loans, net	**(15,455)**	379,051
Expenditures for purchase of loans	**-**	(32,822)
Proceeds from sales of other property owned, net	**18,565**	11,230
Proceeds from sales of premises and equipment	**1,300**	660
Expenditures for premises and equipment	**(2,265)**	(3,226)
Net cash used in investing activities	**(2,323)**	(289,468)
Financing activities		
Bonds and notes issued	**2,211,314**	4,270,216
Bonds and notes retired	**(2,488,553)**	(4,190,364)
Increase (decrease) in advanced conditional payments	**10,421**	(1,600)
Capital stock and participation certificates issued	**1,760**	1,728
Capital stock and participation certificates retired	**(2,450)**	(2,122)
Cash patronage distributions paid	**(31,621)**	(41,971)
Net cash (used in) provided by financing activities	**(299,129)**	35,887
Net decrease in cash	**(211,705)**	(160,207)
Cash at beginning of year	**453,322**	500,967
Cash at end of quarter	**$ 241,617**	$ 340,760
Supplemental schedule of noncash investing and financing activities		
Financed sales of other property owned	**$ 3,779**	$ 1,226
Loan assets transferred to other property owned	**16,818**	23,760
Net decrease in unrealized gains on investment securities	**(7,679)**	(182)
Cash dividends or patronage distributions payable	**38,844**	3,352
Supplemental schedule of noncash changes in fair value related to hedging activities		
(Decrease) increase in bonds and notes	**$ (355)**	$ 775
Supplemental information		
Cash paid for:		
Interest	**$ 52,360**	$ 87,743
Income taxes	**71**	106

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

Notes to Combined Financial Statements

Unaudited (dollar amounts in thousands unless otherwise noted)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying combined financial statements (financial statements) include the accounts of the Farm Credit Bank of Texas (bank) and the accounts of its affiliated Agricultural Credit Associations (ACAs) and Federal Land Credit Association (FLCA) in the Farm Credit System (System). The ACAs and FLCA are collectively referred to as associations, and the bank and its affiliated associations are collectively referred to as the district. The financial statements also reflect the investments in and allocated earnings of the service organizations in which the bank has a partial ownership interest. All significant transactions and balances between the bank and the associations have been eliminated in combination.

The significant accounting policies followed and the financial condition and results of operations of the combined bank and associations as of and for the year ended December 31, 2010, are contained in the 2010 Annual Report to stockholders (Annual Report). These unaudited first quarter 2011 financial statements should be read in conjunction with the Annual Report.

In April 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled “A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring.” The amendments in this guidance clarify the guidance on a creditor’s evaluation of whether a restructuring is a troubled debt restructuring, specifically whether it has granted a concession and whether a debtor is experiencing financial difficulties. For public entities, the amendments in this guidance are effective for the first interim or annual period beginning after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. For nonpublic entities, the amendments in the guidance are effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods.

In January 2011, the FASB issued guidance entitled, “Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings.” This guidance temporarily delays 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 new disclosures about troubled debt restructurings and guidance for determining what constitutes a troubled debt restructuring will be effective for periods ending after June 15, 2011.

In July 2010, the FASB issued guidance on “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit 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 rollforward 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, nature and extent of financing receivables modified as troubled debt restructurings 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 ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period were effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this Standard did not impact the bank's or its related associations' financial condition or results of operations, but resulted in significant additional disclosures.

In January 2010, the FASB issued guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes will provide a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurement. 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 rollforward of activity in Level 3 fair value measurements. Those disclosures were effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this Standard did not impact the bank's and its related associations' financial condition and results of operations but resulted in additional disclosure.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations of the district, and conform to generally accepted accounting principles. The preparation of these financial statements requires 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.

NOTE 2 — INVESTMENTS

Investments Available for Sale

The district's available-for-sale investments include a liquidity portfolio and a portfolio of other investments. The liquidity portfolio consists primarily of FDIC-guaranteed corporate debt instruments, other corporate debt, mortgage-backed investments and asset-backed investments. The bank's other investments portfolio consists of Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) purchased during the second quarter of 2010. A summary of the amortized cost and fair value of investment securities available for sale, at March 31, 2011, and December 31, 2010, is as follows:

Investments in the available-for-sale liquidity portfolio at March 31, 2011:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
FDIC-guaranteed corporate debt	$ 300,101	$ 1,357	$ (56)	$ 301,402	0.90 %
Corporate debt	21,867	82	(3)	21,946	2.06
Federal agency collateralized mortgage-backed securities	2,523,419	27,927	(3,716)	2,547,630	1.91
Other collateralized mortgage-backed securities	62,667	176	(3,242)	59,601	6.52
Asset-backed securities	9,818	1	(1,406)	8,413	3.08
Total available-for-sale investments	**$ 2,917,872**	**$ 29,543**	**$ (8,423)**	**$ 2,938,992**	**1.90 %**

Investments in the available-for-sale other investments portfolio at March 31, 2011:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 141,940	$ -	$ (4,212)	$ 137,728	5.00 %

Investments in the available-for-sale liquidity portfolio at December 31, 2010:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
FDIC-guaranteed corporate debt	$ 300,531	$ 1,724	$ (164)	$ 302,091	0.84 %
Federal agency collateralized mortgage-backed securities	2,524,022	36,453	(1,046)	2,559,429	2.00
Other collateralized mortgage-backed securities	71,192	68	(6,342)	64,918	5.97
Asset-backed securities	11,493	1	(1,489)	10,005	3.13
Total liquidity investments	**$ 2,907,238**	**$ 38,246**	**$ (9,041)**	**$ 2,936,443**	**1.97 %**

Investments in the available-for-sale other investments portfolio at December 31, 2010:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 145,122	$ -	$ (4,619)	$ 140,503	5.07 %

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of available-for-sale investments at March 31, 2011:

Investments in the available-for-sale liquidity portfolio:

	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years	Total
FDIC-guaranteed corporate debt	$ 203,736	$ 97,666	$ -	$ -	$ 301,402
Corporate debt	-	21,946	-	-	21,946
Federal agency collateralized mortgage-backed securities	-	40,888	235,903	2,270,839	2,547,630
Other collateralized mortgage-backed securities	-	-	2,922	56,679	59,601
Asset-backed securities	-	2,554	-	5,859	8,413
Total fair value	**$ 203,736**	**$ 163,054**	**$ 238,825**	**$ 2,333,377**	**$ 2,938,992**
Total amortized cost	**$ 202,404**	**$ 161,736**	**$ 236,323**	**$ 2,317,409**	**$ 2,917,872**
Weighted average yield	**1.23%**	**1.53%**	**2.42%**	**1.93%**	**1.90%**

Investments in the available-for-sale other investments portfolio:

	Due after one year through five years
Fair value of agricultural mortgage-backed securities	$ 137,728
Total amortized cost	**$ 141,940**
Weighted average yield	**5.00%**

Other-Than-Temporarily Impaired Investments Evaluation

The following table shows available-for-sale investments by gross unrealized losses and fair value, aggregated by investment category and length of time that the securities have been in a continuous unrealized loss position at March 31, 2011. The continuous loss position is based on the date the impairment was first identified:

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
FDIC-guaranteed corporate debt	$ 192,454	$ (53)	$ -	$ -	$ 192,454	$ (53)
Corporate debt	6,952	(6)	-	-	6,952	(6)
Federal agency collateralized mortgage-backed securities	969,264	(3,716)	15,858	(2,207)	985,122	(5,923)
Other collateralized mortgage-backed securities	1,047	(5)	26,714	(1,030)	27,761	(1,035)
Asset-backed securities	188	(1)	3,756	(1,405)	3,944	(1,406)
Total	**$ 1,169,905**	**$ (3,781)**	**$ 46,328**	**$ (4,642)**	**$ 1,216,233**	**$ (8,423)**

The district evaluates investment securities for other-than-temporary impairment on a quarterly basis. Impairment is considered to be other than temporary if an entity (i) intends to sell the security, (ii) is more likely than not to be required to sell the security before recovering its cost, or (iii) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell).

The bank recognized other-than-temporary impairment losses on five mortgage-backed investments and one asset-backed security during the quarter ended March 31, 2011. The credit portion of the impairment losses, recognized as a loss in earnings, totaled $1,895. The non-credit-related net increase in fair value on the bank's other-than-temporarily impaired investments for the three months ended March 31, 2011, totaling $1,430, is included as a credit to other comprehensive income.

As the bank has no intent of selling the securities deemed other-than-temporarily impaired and will not more likely than not be required to sell the securities before recovery, the credit loss portion of impairment was recognized through earnings for the first three months of 2011. To measure the amount related to credit loss in the determination of other-than-temporary impairment, the bank utilizes a third-party vendor's services for cash flow modeling and projection of credit losses for specific non-agency residential mortgage-backed securities and subprime asset-backed securities. Applicable securities are identified through prior analysis based on the deterioration of price and credit ratings. Significant inputs utilized in the methodology of the modeling include assumptions surrounding market data (interest rates and home prices) and the applicable securities' loan level data. Loan level data evaluated includes loan status, coupon and resets, FICO scores, loan-to-value, geography, property type, etc. Loan level data is then combined with assumptions surrounding future behavior of home prices, prepayment rates, default rates and loss severity to arrive at cash flow projections for the underlying collateral. Default rate assumptions are generally estimated using historical loss and performance information to estimate future defaults. The default rates used at March 31, 2011, ranged from 5.9 percent to 12.4 percent for non-agency mortgage-backed securities and ranged from 8.5 percent to 14.2 percent for the asset-backed securities. Prepayment rate assumptions are based on historical prepayment rates and ranged from 2.5 percent to 11.3 percent for non-agency mortgage-backed securities and ranged from 1.8 percent to 2.6 percent for the asset-backed securities at March 31, 2011. At March 31, 2011, the loss severity assumptions ranged from 40.2 percent to 60.2 percent for non-agency mortgage-backed securities and ranged from 64.9 percent to 75.2 percent for the asset-backed securities. The present value of these cash flow projections is then evaluated against the specific security's structure and credit enhancement to determine if the bond will absorb losses.

The following is a rollforward of the amount related to credit losses recognized during the three months ended March 31, 2011:

Credit losses for which a portion of an other-than-temporary impairment was recognized in OCI at January 1, 2011	$	7,834
Additions for the amount related to credit loss for which other-than-temporary impairment was not previously recognized		241
Increases to amount related to credit loss for which other-than-temporary impairment was previously recognized when it did not intend to sell and it is not more likely than not that it will be required to sell		1,654
Credit losses for which a portion of an other-than-temporary impairment was recognized in OCI at March 31, 2011	$	9,729

The following is a rollforward of the amount related to credit losses recognized during the three months ended March 31, 2010:

Credit losses for which a portion of an other-than-temporary impairment was recognized in OCI at January 1, 2010	$	6,005
Increases to amount related to credit loss for which other-than-temporary impairment was previously recognized when it did not intend to sell and it is not more likely than not that it will be required to sell		1,342
Credit losses for which a portion of an other-than-temporary impairment was recognized in OCI at March 31, 2010	$	7,347

Held-to-Maturity Investments

The district's held-to-maturity investments consisted of Farmer Mac guaranteed agricultural mortgage-backed securities. A summary of the amortized cost and fair value of held-to-maturity investment securities at March 31, 2011, is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 147,137	$ 586	$ (1,211)	$ 146,512	5.15 %

During 2010, the Farmer Mac guaranteed AMBS were received in exchange for mortgage loans which were previously covered under the long-term standby commitment to purchase agreements with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions. The associations continue to service the loans included in these transactions. These investments in guaranteed securities are included in Investments in this report's Combined Balance Sheet.

NOTE 3 — LOANS AND RESERVES FOR CREDIT LOSSES

A summary of loans follows:

	March 31, 2011	December 31, 2010
Real estate mortgage	**$ 10,378,008**	$ 10,487,949
Production and intermediate term	**1,688,878**	1,792,513
Loans to cooperatives	**430,345**	274,621
Processing and marketing	**1,370,520**	1,346,887
Farm-related business	**172,615**	172,501
Communication	**259,696**	264,634
Energy	**889,322**	881,227
Water and waste disposal	**50,498**	50,261
Rural residential real estate	**206,120**	209,708
International	**241**	245
Lease receivables	**7,195**	8,511
Loans to other financial institutions	**84,616**	75,737
Mission related	**71,618**	64,096
	$ 15,609,672	$ 15,628,890

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

	March 31, 2011	December 31, 2010
Nonaccrual loans:		
Real estate mortgage	**$ 507,219**	$ 440,836
Production and intermediate term	**104,744**	102,027
Agribusiness	**116,767**	129,220
Communication	**6,078**	6,129
Rural residential real estate	**2,002**	2,019
Energy and water/waste disposal	**10,954**	-
Lease receivables	**2,836**	2,836
Total nonaccrual loans	**$ 750,600**	$ 683,067
Accruing restructured loans:		
Real estate mortgage	**$ 2,388**	$ 1,491
Production and intermediate term	**4,042**	2,510
Agribusiness	**5,068**	4,982
Rural residential real estate	**39**	-
Total accruing restructured loans	**$ 11,537**	$ 8,983
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 5,364**	$ 2,198
Production and intermediate term	**1,865**	93
Agribusiness	**366**	-
Rural residential real estate	**105**	105
Total accruing loans 90 days or more past due	**$ 7,700**	$ 2,396
Total nonperforming loans	**769,837**	694,446
Other property owned	**79,127**	78,124
Total nonperforming assets	**$ 848,964**	$ 772,570

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2011		December 31, 2010	
Real estate mortgage:				
Acceptable	**89.1**	**%**	89.2	%
OAEM	**4.1**		4.3	
Substandard/Doubtful	**6.8**		6.5	
	100.0	**%**	100.0	%
Production and intermediate term:				
Acceptable	**82.9**	**%**	83.0	%
OAEM	**8.1**		8.1	
Substandard/Doubtful	**9.0**		8.9	
	100.0	**%**	100.0	%
Agribusiness:				
Acceptable	**79.7**	**%**	76.4	%
OAEM	**10.6**		12.7	
Substandard/Doubtful	**9.7**		10.9	
	100.0	**%**	100.0	%
Energy and water/waste disposal:				
Acceptable	**98.8**	**%**	99.0	%
OAEM	**-**		-	
Substandard/Doubtful	**1.2**		1.0	
	100.0	**%**	100.0	%
Communication:				
Acceptable	**97.7**	**%**	97.7	%
OAEM	**-**		-	
Substandard/Doubtful	**2.3**		2.3	
	100.0	**%**	100.0	%
Rural residential real estate:				
Acceptable	**95.1**	**%**	95.2	%
OAEM	**2.2**		2.7	
Substandard/Doubtful	**2.7**		2.1	
	100.0	**%**	100.0	%
International:				
Acceptable	**100.0**	**%**	100.0	%
OAEM	**-**		-	
Substandard/Doubtful	**-**		-	
	100.0	**%**	100.0	%
Lease receivables:				
Acceptable	**55.7**	**%**	63.5	%
OAEM	**3.9**		2.6	
Substandard/Doubtful	**40.4**		33.9	
	100.0	**%**	100.0	%
Loans to other financing institutions:				
Acceptable	**100.0**	**%**	100.0	%
OAEM	**-**		-	
Substandard/Doubtful	**-**		-	
	100.0	**%**	100.0	%
Mission related:				
Acceptable	**90.7**	**%**	89.5	%
OAEM	**0.6**		0.6	
Substandard/Doubtful	**8.7**		9.9	
	100.0	**%**	100.0	%
Total loans:				
Acceptable	**88.1**	**%**	87.9	%
OAEM	**5.0**		5.3	
Substandard/Doubtful	**6.9**		6.8	
	100.0	**%**	100.0	%

The following table provides an age analysis of past due loans (including accrued interest) as of March 31, 2011:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate mortgage	$ 89,942	$ 319,673	$ 409,615	$ 10,075,433	$ 10,485,048	$ 5,364
Production and intermediate term	17,483	68,894	86,377	1,618,834	1,705,211	1,865
Agribusiness	9,668	65,304	74,972	1,905,052	1,980,024	366
Communication	-	-	-	260,360	260,360	-
Energy and water/waste disposal	-	-	-	946,498	946,498	-
Rural residential real estate	1,860	335	2,195	203,316	205,511	105
International	-	-	-	241	241	-
Lease receivables	90	2,810	2,900	4,348	7,248	-
Loans to other financing institutions	-	-	-	84,725	84,725	-
Mission related	-	-	-	72,316	72,316	-
Total	$ 119,043	$ 457,016	$ 576,059	$ 15,171,123	$ 15,747,182	$ 7,700

Additional impaired loan information is as follows:

	At March 31, 2011			For the Three Months Ended March 31, 2011	
Impaired loans with a related allowance for credit losses:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Real estate mortgage	$ 235,311	$ 269,444	$ 58,586	$ 205,215	$ 234
Production and intermediate term	47,044	60,179	21,842	44,303	66
Loans to cooperatives	-	-	-	-	-
Processing and marketing	51,955	58,599	12,421	52,313	-
Farm-related business	18,350	19,868	6,522	17,179	36
Communication	3,146	3,146	3,536	3,166	-
Energy and water/waste disposal	1,549	4,299	-	1,071	1
Rural residential real estate	525	543	110	506	1
Lease receivables	-	-	-	-	-
Total	$ 357,880	$ 416,078	$ 103,017	$ 323,753	$ 338
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 279,660	$ 299,466	$ -	$ 258,373	$ 2,135
Production and intermediate term	63,607	88,196	-	59,047	258
Loans to cooperatives	44	44	-	-	-
Processing and marketing	24,895	55,403	-	25,618	73
Farm-related business	26,958	37,153	-	30,400	7
Communication	2,932	2,932	-	2,950	-
Energy and water/waste disposal	9,405	23,158	-	913	4
Rural residential real estate	1,620	1,729	-	1,455	5
Lease receivables	2,836	2,836	-	2,836	-
Total	$ 411,957	$ 510,917	$ -	$ 381,592	$ 2,482
Total impaired loans:					
Real estate mortgage	$ 514,971	$ 568,910	$ 58,586	$ 463,588	$ 2,369
Production and intermediate term	110,651	148,375	21,842	103,350	324
Loans to cooperatives	44	44	-	-	-
Processing and marketing	76,850	114,002	12,421	77,931	73
Farm-related business	45,308	57,021	6,522	47,579	43
Communication	6,078	6,078	3,536	6,116	-
Energy and water/waste disposal	10,954	27,457	-	1,984	5
Rural residential real estate	2,145	2,272	110	1,961	6
Lease receivables	2,836	2,836	-	2,836	-
Total	$ 769,837	$ 926,995	$ 103,017	$ 705,345	$ 2,820

	At December 31, 2010			For the Twelve Months Ended December 31, 2010	
Impaired loans with a related allowance for credit losses:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Real estate mortgage	$ 170,333	$ 209,522	$ 48,136	$ 151,736	$ 1,597
Production and intermediate term	45,839	57,932	24,336	45,242	492
Processing and marketing	52,836	60,998	12,205	37,319	381
Farm-related business	23,882	24,947	10,081	17,499	172
Communication	4,596	2,953	3,236	3,501	22
Energy and water/waste disposal	-	-	-	5	-
Rural residential real estate	617	659	121	698	9
Lease receivables	21	24	10	501	6
Total	$ 298,124	$ 357,035	$ 98,125	$ 256,501	$ 2,679
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 274,192	$ 294,903	$ -	$ 244,233	$ 3,322
Production and intermediate term	58,791	87,771	-	62,293	723
Processing and marketing	34,776	59,385	-	49,471	551
Farm-related business	22,709	37,861	-	22,673	246
Communication	1,533	3,280	-	3,528	25
Energy and water/waste disposal	-	14,131	-	7	-
Rural residential real estate	1,507	1,732	-	1,067	14
Lease receivables	2,814	2,807	-	767	10
Total	$ 396,322	$ 501,870	$ -	$ 384,039	$ 4,891
Total impaired loans:					
Real estate mortgage	$ 444,525	$ 504,425	$ 48,136	$ 395,969	$ 4,919
Production and intermediate term	104,630	145,703	24,336	107,535	1,215
Processing and marketing	87,612	120,383	12,205	86,790	932
Farm-related business	46,591	62,808	10,081	40,172	418
Communication	6,129	6,233	3,236	7,029	47
Energy and water/waste disposal	-	14,131	-	12	-
Rural residential real estate	2,124	2,391	121	1,765	23
Lease receivables	2,835	2,831	10	1,268	16
Total	$ 694,446	$ 858,905	$ 98,125	$ 640,540	$ 7,570

At March 31, 2011, impaired loans of $357.9 million had a related specific allowance of $103.0 million, while the remaining $412.0 million of impaired loans had no related specific allowance as a result of adequate collateralization. The provision for loan losses predominantly consisted of specific provisions on impaired loans. District charge-offs in the first three months of 2011 were predominantly made against loans to borrowers in the land in transition, ethanol and livestock sectors.

The average recorded investment in impaired loans for the three months ended March 31, 2011, was $705.3 million. The district recognized interest income of $2.8 million on impaired loans during the three months ended March 31, 2011.

The district's impaired loans included loans with evidence of credit deterioration which the bank acquired in March 2010. The loans are recorded at the present value of expected future cash flows. These loans had a balance of $21,971 and $21,911 at March 31, 2011, and December 31, 2010, respectively, net of the unaccreted discount of $1,349 and $1,814, at March 31, 2011, and December 31, 2010, respectively. During the quarter ended March 31, 2011, the bank recorded provisions for loan losses related to these loans totaling $1,001. The allowance for loan losses related to these loans was $2,868 and $1,866 at March 31, 2011, and December 31, 2010, respectively.

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivables	Loans to OFIs	Mission Related	Total
Allowance for Credit Losses:											
Balance at December 31, 2010	$ 96,132	$ 31,290	$ 28,656	$ 3,925	$ 2,101	$ 995	$ 1	$ 45	$ -	$ -	$ 163,145
Charge-offs	(4,651)	(2,765)	(4,468)	-	(2,750)	(69)	-	-	-	-	(14,703)
Recoveries	3	352	262	-	435	1	-	-	-	-	1,053
Provision for loan losses	13,995	334	4,821	128	2,191	(457)	(1)	(28)	-	-	20,983
Adjustment due to merger	-	-	-	-	-	-	-	-	-	-	-
Other	(593)	-	-	-	-	-	-	-	-	-	(593)
Balance at March 31, 2011	$ 104,886	$ 29,211	$ 29,271	$ 4,053	$ 1,977	$ 470	$ -	$ 17	$ -	$ -	$ 169,885
Ending Balance: individually evaluated for impairment	$ 60,863	$ 22,085	$ 21,425	$ 3,536	$ -	$ 214	$ -	$ -	$ -	$ -	$ 108,123
Ending Balance: collectively evaluated for impairment	$ 41,258	$ 7,023	$ 7,846	$ 517	$ 1,977	$ 256	$ -	$ 17	$ -	$ -	$ 58,894
Ending Balance: loans acquired with deteriorated credit quality	$ 2,765	$ 103	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,868
Recorded Investments in Loans Outstanding:											
Balance at March 31, 2011	$ 10,485,048	$ 1,705,211	$ 1,980,024	$ 260,360	$ 946,498	$ 205,511	$ 241	$ 7,248	$ 84,725	$ 72,316	$ 15,747,182
Ending Balance for loans individually evaluated for impairment	$ 479,786	$ 105,077	$ 122,201	$ 6,078	$ 10,954	$ 2,145	$ -	$ 2,836	$ -	$ -	$ 729,077
Ending Balance for loans collectively evaluated for impairment	$ 9,970,077	$ 1,594,560	$ 1,857,823	$ 254,282	$ 935,544	$ 203,366	$ 241	$ 4,412	$ 84,725	$ 72,316	$ 14,977,346
Ending Balance for loans acquired with deteriorated credit quality	$ 35,185	$ 5,574	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 40,759

NOTE 4 — 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, 2011, were approximately $189.6 billion.

NOTE 5 — FAIR VALUE MEASUREMENTS

Accounting 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 2, “Summary of Significant Accounting Policies,” of the 2010 Annual Report for a more complete description.

Assets and liabilities measured at fair value on a recurring basis at March 31, 2011, for each of the fair value hierarchy levels are summarized below:

	Fair Value Measurements at March 31, 2011			
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Federal funds	**$ 20,332**	$ -	$ 20,332	$ -
Investments available for sale	**3,076,720**	-	2,851,585	225,135
Derivative assets	**4,972**	-	4,972	-
Assets held in nonqualified benefit trusts	**2,964**	2,964	-	-
Total	**$ 3,104,988**	$ 2,964	$ 2,876,889	$ 225,135
Liabilities:				
Standby letters of credit	**$ 2,843**	$ -	$ 2,843	$ -
	$ 2,843	$ -	$ 2,843	$ -

The following table represents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2011, to March 31, 2011:

Available-for-sale investment securities:	
Balance at January 1, 2011	$ 247,648
Net gains included in other comprehensive income	3,777
Net losses included in earnings	(1,895)
Purchases, issuances and settlements, net	11,072
Transfers out of Level 3	(35,467)
Balance at March 31, 2011	$ 225,135

There were no transfers of assets or liabilities into or out of Level 1 from other levels during the quarter ended March 31, 2011. At December 31, 2010, Level 3 investments included two agency mortgage-backed securities due to the fact that their valuations were based on Level 3 criteria (broker quotes) and certain non-agency mortgage-backed and asset-backed securities. In the quarter ended March 31, 2011, these two securities, totaling $35,467, were valued using independent third-party valuation services using Level 2 criteria and were, accordingly, transferred from Level 3 to Level 2. There were no other transfers into or out of Level 2 during the quarter ended March 31, 2011.

Assets and liabilities measured at fair value on a nonrecurring basis at March 31, 2011, for each of the fair value hierarchy levels are summarized below:

	Fair Value Measurement at March 31, 2011				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Assets:					
Loans	$ 313,061	$ -	$ -	$ 313,061	$ (14,704)
Other property owned	87,635	-	-	87,635	(1,446)
Total assets	$ 400,696	$ -	$ -	$ 400,696	$ (16,150)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2010, for each of the fair value hierarchy levels are summarized below:

	Fair Value Measurements at December 31, 2010			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Federal funds	$ 20,439	$ -	$ 20,439	$ -
Investments available for sale	3,076,946	-	2,829,298	247,648
Derivative assets	6,512	-	6,512	-
Assets held in nonqualified benefit trusts	2,247	2,247	-	-
Total	$ 3,106,144	$ 2,247	$ 2,856,249	$ 247,648
Liabilities:				
Derivative liabilities	$ 5	$ -	$ 5	$ -
Standby letters of credit	2,843	-	2,843	-
	$ 2,848	$ -	$ 2,848	$ -

In December 2010, the bank transferred certain non-agency mortgage-backed and asset-backed securities totaling $107,145 from Level 2 to Level 3. The decision to move these investments to Level 3 was based on the relatively illiquid current market for these investments, which were valued by independent third-party valuation services which used Level 2 and Level 3 criteria in their valuations. The significant inputs included volatility, prepayment rates, market spreads and dealer quotes.

The following table represents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2010, to December 31, 2010:

Available-for-sale investment securities:		
Balance at January 1, 2010	$	-
Purchases, issuances and settlements		145,122
Total realized and unrealized losses, net		(4,619)
Transfers to Level 3		107,145
Balance at December 31, 2010	$	247,648

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2010, for each of the fair value hierarchy levels are summarized below:

	Fair Value Measurement at December 31, 2010				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Assets:					
Loans	**$ 199,999**	$ -	$ -	$ 199,999	**$ (129,101)**
Other property owned	**86,490**	-	-	86,490	**(15,151)**
Total assets	**$ 286,489**	$ -	$ -	$ 286,489	**$ (144,252)**

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," of the Annual Report, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the bank and its affiliated associations' assets and liabilities:

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include certain mortgage-backed and asset-backed securities. To estimate the fair value of investments, the bank obtains prices from third-party pricing services. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified as Level 3 primarily consist of certain non-agency mortgage-backed and asset-backed securities valued using independent third-party valuation services. Also included in the bank's Level 3 assets are its investment in Farmer Mac AMBS.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Derivatives

The bank's derivative positions are valued using internally developed models that use, as their basis, readily observable market parameters and are classified within Level 2 of the valuation hierarchy. Such derivatives include basic interest rate swaps and cash flow derivatives. The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable inputs, primarily the LIBOR swap curve and volatility assumptions about future interest rate movements.

Standby Letters of Credit

The fair value of letters of credit approximates the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans

For certain loans evaluated for impairment, the fair value is based upon the underlying collateral since the loans were collateral-dependent loans for which real estate is the collateral. These loans are generally classified as Level 3. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral less estimated costs to sell. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 6 — FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated values of the district's financial instruments at March 31, 2011, and December 31, 2010.

The estimated fair values of the district's financial instruments follow:

	March 31, 2011		December 31, 2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Cash, federal funds sold and investment securities	**$ 3,485,806**	**$ 3,485,181**	$ 3,705,322	$ 3,704,582
Loans	**15,609,672**	**15,428,879**	15,628,890	15,454,918
Less allowance for loan losses	**(169,885)**	**—**	(163,145)	—
Net loans	**15,439,787**	**15,428,879**	15,465,745	15,454,918
Derivative assets	**4,972**	**4,972**	6,512	6,512
Financial liabilities				
Bonds and notes	**15,901,225**	**15,967,710**	16,179,932	16,273,642
Subordinated debt	**50,000**	**52,644**	50,000	52,851
Derivative liabilities	**—**	**—**	5	5

A description of the methods and assumptions used to estimate the fair value of each class of the district's financial instruments for which it is practicable to estimate that value follows:

Cash and Federal Funds Sold:

The carrying value is a reasonable estimate of fair value.

Investment Securities:

If an active market exists, the fair value is based on currently quoted market prices. For those securities for which an active market does not exist, the fair value is determined as described in Note 5, "Fair Value Measurements."

Loans:

Because no active market exists for the district's originated loans, fair value is estimated by discounting the expected future cash flows using the district's current interest rates at which similar loans would be made to borrowers with similar credit risk. As the discount rates are based on the district's loan rates as well as on management's 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 discount rates reflecting appropriate credit risk are determined separately for each individual pool.

Fair value of loans in a nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher discount rates to reflect the uncertainty of continued cash flows. For noncurrent 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 that appropriately reflects the uncertainty of the expected future cash flows over the average disposal period.

Bonds and Notes:

Systemwide bonds and notes are not regularly traded; thus, quoted market prices are not available. Fair value of these instruments is estimated by discounting expected future cash flows based on the quoted market price of new issues of Systemwide bonds with similar-maturity terms.

Subordinated Debt:

The fair value of these obligations is determined by discounting expected future cash flows based on the Treasury yield curve.

Derivative Assets and Liabilities:

The fair value of derivative financial instruments is the estimated amount that a bank would receive or pay to replace the instruments at the reporting date, considering the current interest rate environment and the current creditworthiness of the counterparties. Where such quoted market prices do not exist, these values are generally provided by sources outside the respective bank or by internal market valuation models.

NOTE 7 — DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The district maintains an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The bank's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect the net interest margin. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by the bank's gains or losses on the derivative instruments that are linked to these hedged assets and liabilities. Another result of interest rate fluctuations is that the interest income and interest expense of hedged floating-rate assets and liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by the bank's gains and losses on the derivative instruments that are linked to these hedged assets and liabilities. The bank considers the strategic use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

The bank enters into derivative transactions, particularly interest rate swaps, to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities, or better manage liquidity. Interest rate swaps allow the bank to raise long-term borrowings at fixed rates and swap them into floating rates to better match the repricing characteristics of earning assets. Under interest rate swap arrangements, the bank agrees with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index.

A substantial amount of the district's assets are interest-earning assets (principally loans and investments) that tend to be medium-term floating-rate instruments. In order to match the asset structure, interest rate swaps in which the bank pays the floating rate and receives the fixed rate (receive fixed swaps) are used to reduce the impact of market fluctuations on the bank's net interest income. Because the size of swap positions needed to reduce the impact of market fluctuations varies over time, the bank also enters into swaps in which it receives the floating rate and pays the fixed rate (pay fixed swaps) when necessary to reduce its net position.

The bank may purchase interest rate options, such as caps, in order to reduce the impact of rising interest rates on its floating-rate debt, and floors, in order to reduce the impact of falling interest rates on its floating-rate assets. The primary types of derivative instruments used and the amount of activity during the period are summarized in the following table:

	Receive-Fixed Swaps	Pay-Fixed Swaps	Interest Rate Caps	Total
Balance at January 1, 2011	$ 125	$ 25	$ 645	$ 795
Maturities/Amortizations	-	(25)	-	(25)
Balance at March 31, 2011	**$ 125**	**$ -**	**$ 645**	**$ 770**

By using derivative products, the bank exposes itself to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, the bank's credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes the bank, thus creating a repayment (credit) risk for the bank. When the fair value of the derivative contract is negative, the bank owes the counterparty and, therefore, assumes no repayment risk.

To minimize the risk of credit losses, the bank deals with counterparties that have an investment grade or better credit rating from a major rating agency, and also monitors the credit standing and levels of exposure to individual counterparties. The bank does not anticipate nonperformance by any of these counterparties. The bank typically enters into master agreements that contain netting provisions. These provisions allow the bank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. However, derivative contracts must be reflected in the financial statements on a gross basis regardless of the netting agreement. Another way the bank minimizes the risk of credit losses from derivatives is that substantially all derivative contracts are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of exposure of one party to the other one are reached, which thresholds may vary depending on the counterparty's credit rating. At March 31, 2011, and December 31, 2010, the bank's exposure to counterparties, net of collateral, was $5.6 million and $6.5 million, respectively. At March 31, 2011, and December 31, 2010, the bank had posted no securities as collateral.

The bank's derivative activities are monitored by its Asset-Liability Management Committee (ALCO) as part of the ALCO's oversight of the bank's asset/liability and treasury functions. The bank's ALCO is responsible for approving hedging strategies that are developed within parameters established by the bank's board of directors through the bank's analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the bank's overall interest rate risk-management strategies. The bank held no derivatives that were not designated as hedges at March 31, 2011, or December 31, 2010.

Fair Value Hedges

The bank's derivative instruments that are designated and qualify as a fair value hedge all meet the standards for accounting treatment that presume full effectiveness. Accordingly, no gain or loss is recognized in earnings.

Cash Flow Hedges

The bank's derivative instruments that are designated and qualify as a cash flow hedge all meet the standards for accounting treatment that presume full effectiveness. Thus, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income.

Derivatives designated as hedging instruments	**Balance Sheet Location**	**Fair Value 3/31/2011**	**Fair Value 12/31/2010**	**Balance Sheet Location**	**Fair Value 3/31/2011**	**Fair Value 12/31/2010**
Receive fixed	Other assets	$ 1,492	$ 1,848	Other liabilities	$ -	$ -
Pay fixed	Other assets	-	-	Other liabilities	-	5
Interest rate caps	Other assets	3,480	4,664	Other liabilities	-	-

Derivatives designated as hedging instruments	**Amount of Gain Recognized in OCI on Derivatives (Effective Portion)**		**Location of Gain Reclassification from AOCI into Income**	**Amount of Gain Reclassified from AOCI into Income (Effective Portion)**	
	2011	**2010**		**2011**	**2010**
Interest rate caps	$ (1,184)	$ (1,823)	Interest expense	$ 1	$ -
Cash flow derivatives	5	-			

NOTE 8 — EMPLOYEE BENEFIT PLANS

Employees of the bank and district associations participate in either the defined benefit retirement plan or a defined contribution plan (DC Plan) and are eligible to participate in the district's 401(k) plan. Employer contributions to the DC Plan and 401(k) plan are expensed as incurred. The multi-employer structure of the district's defined benefit pension plan results in the recording of this plan only upon combination. In addition the bank has a supplemental defined benefit pension plan, which has been discontinued effective January 16, 2011, with expected final distributions to be made in 2012. The following table summarizes the components of net periodic benefit costs for both of the district's defined benefit pension plans and for other postretirement benefit costs for the three months ended March 31:

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2011	2010	**2011**	2010
Service cost	**$ 1,287**	$ 1,492	**$ 344**	$ 307
Interest cost	**3,793**	4,036	**693**	619
Expected return on plan assets	**(4,075)**	(3,409)	**-**	-
Amortization of prior service costs	**9**	97	**(420)**	(433)
Amortization of net loss	**1,749**	2,444	**72**	31
Amortization of loss due to curtailment/termination	**652**	-	**-**	-
Net periodic benefit cost	**$ 3,415**	$ 4,660	**$ 689**	$ 524

As of March 31, 2011, contributions of $22.9 million have been made for pension benefits. The district presently anticipates no additional contributions to fund its pension plan in 2011.

NOTE 9 — INCOME TAXES

The bank and its affiliated associations did not have any uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

NOTE 10 — SUBSEQUENT EVENTS

The district has evaluated subsequent events through May 10, 2011, which is the date the financial statements were issued. There are no significant subsequent events requiring disclosure as of May 10, 2011.

NOTE 11 — BANK-ONLY FINANCIAL DATA

Condensed financial information for the bank follows. All significant transactions and balances between the bank and associations are eliminated in combination.

Balance sheet data	**March 31, 2011**	December 31, 2010
Cash	**$ 229,158**	$ 436,866
Federal funds sold and overnight investments	**20,332**	20,438
Investment securities	**3,076,720**	3,076,946
Loans	**10,405,610**	10,464,034
Less allowance for loan losses	**36,212**	28,678
Net loans	**10,369,398**	10,435,356
Accrued interest receivable	**45,383**	45,298
Other property owned, net	**2,555**	2,838
Premises and equipment, net	**15,627**	15,833
Other assets	**76,696**	74,628
Total assets	**$ 13,835,869**	$ 14,108,203
Bonds and notes	**$ 12,501,225**	$ 12,779,932
Subordinated debt	**50,000**	50,000
Accrued interest payable	**46,965**	43,869
Preferred stock dividends payable	**21,881**	21,881
Other liabilities	**32,957**	61,663
Total liabilities	**12,653,028**	12,957,345
Preferred stock	**482,000**	482,000
Capital stock	**228,399**	228,399
Retained earnings	**459,328**	418,965
Accumulated other comprehensive income	**13,114**	21,494
Total shareholders' equity	**1,182,841**	1,150,858
Total liabilities and shareholders' equity	**$ 13,835,869**	$ 14,108,203

	Three Months Ended March 31,	
Statement of income data	**2011**	2010
Interest income	**$ 109,114**	$ 125,380
Interest expense	**49,138**	75,672
Net interest income	**59,976**	49,708
Provision for credit losses	**10,452**	5,710
Net interest income after provision for credit losses	**49,524**	43,998
Noninterest income	**7,293**	7,750
Noninterest expense	**15,012**	16,515
Net income	**$ 41,805**	$ 35,233

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