Farm Credit of Central Oklahoma, ACA

Quarterly Report
September 30, 2011

The shareholders' investment in Farm Credit of Central Oklahoma, ACA is materially affected by the financial condition and results of operations of U.S. AgBank, FCB (AgBank). The 2010 U.S. AgBank Annual Report to Shareholders, the 2010 U.S. AgBank District Annual Report to Shareholders, the U.S. AgBank quarterly shareholders' reports and the U.S. AgBank District quarterly shareholders' reports are available free of charge by accessing AgBank's web site, www.usagbank.com, or may be obtained at no charge by contacting us at Farm Credit of Central Oklahoma, ACA, 509 West Georgia, P.O. Box 910, Anadarko, Oklahoma 73005, or by calling 405-247-2421 or
1-800-585-2421.

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

(Dollars in Thousands, Except as Noted)
(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit of Central Oklahoma, ACA for the nine months ended September 30, 2011, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2010 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

During the first nine months of 2011, economic conditions in our region have remained reasonably stable considering the economic instability still hindering the national economy. Beef prices remain very strong which especially benefits the cow/calf producer. Winter wheat pasture was below average but stocker cattle had very good gains with record prices. Wheat prices remain very high at $7/bu on average. The 2011 wheat crop was poor with most of the crop adjusted for insurance and/or bailed for hay. Due to wheat prices above $8/bu at harvest, producers who did insure their wheat crop received insurance checks that at least covered the expense of this year's crop.

As farmers prepared for the 2011 summer and fall crops, commodity prices remained high however moisture for growing these crops did not materialize. Most of the association's territory has been experiencing a severe drought with sub-soil moisture unavailable for sustained crop growth. Hay production in 2011 was well below average and hay stocks are extremely low. As a result, cattle breeding herds have decreased in numbers during 2011. Moisture for wheat planting this fall is extremely important to establish sufficient forage for 2012 and will be the key to positive returns for wheat and cattle producers in 2012. Recent rains in the service area should be beneficial for producers to complete wheat planting and establish some winter pasture.

In summary, the local agricultural economy is generally healthy after several years of higher commodity and cattle prices. Having suffered through a severe drought since May, the key to financial progress over the next year is timely moisture. The general economy will continue to affect the agricultural economy and the effects of the 2012 farm bill will be more closely defined over the next year.

LOAN PORTFOLIO

Loans outstanding at September 30, 2011 totaled $109.9 million, an increase of $4.4 million, or 4.15%, from loans of $105.5 million at December 31, 2010. The increase was primarily due to increased customer demand for real estate mortgage loans, offset by a slight decline in short/intermediate loans during the period.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2011 was $1.2 million, an increase of $137, or 12.70%, from the same period ended one year ago, primarily due to patronage from U.S. AgBank, FCB (AgBank). This was offset by increases in provisions for loan losses and increased noninterest expenses.

Net interest income for the nine months ended September 30, 2011 was $2.03 million, an increase of $63, or 3.20%, from the same period ended one year ago. Interest income increased as a result of an increase in loan volume from the same period one year ago. The increase was partially offset by decreased net interest margin; primarily due to a decrease in earnings on the associations own funds.

The provision for loan losses for the nine months ended September 30, 2011 was $32, an increase of $60, or 214.28%, from the loan loss reversal for the same period ended one year ago. The increase was a result of a provision for loan losses the first nine months of 2011 due to increased risk on certain loans, compared to a loan loss reversal in 2010 during the same time period.

Noninterest income increased $261 during the first nine months of 2011 compared with the same period in 2010 primarily due to patronage received from AgBank of $538. Additionally, during the first quarter of 2010, we received our allocated portion of a distribution of $100 from Farm Credit System Insurance Company (FCSIC), which offset the increase in noninterest income.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2011 was $28.7 million, an increase from $27.9 million at December 31, 2010. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, offset by stock reductions and patronage distributions.

OTHER MATTERS

In November of 2010, the AgBank Board of Directors voted to pursue a merger with CoBank, ACB another Farm Credit System Bank. On September 8, 2011, AgBank and CoBank announced that their voting stockholders have approved the proposed plan of merger between the two banks. The Farm Credit Administration (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. We do not expect there to be any material negative impact to our operations as a result of the merger.

The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.

"Signature on File"

Alan Schenk
Chairman of the Board
November 7, 2011

"Signature on File"

Blake Byrd
President and CEO
November 7, 2011

"Signature on File"

Michael C. Prochaska
Sr. Vice President and CFO
November 7, 2011

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2011	December 31 2010
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 109,857**	$ 105,478
Less allowance for loan losses	**260**	228
Net loans	**109,597**	105,250
Cash	**149**	241
Accrued interest receivable	**1,900**	1,488
Investment in U.S. AgBank, FCB	**2,224**	2,224
Premises and equipment, net	**164**	163
Prepaid benefit expense	**174**	230
Other assets	**123**	155
Total assets	**$ 114,331**	$ 109,751
LIABILITIES		
Note payable to U.S. AgBank, FCB	**$ 83,625**	$ 80,114
Advance conditional payments	**484**	294
Accrued interest payable	**1,026**	963
Accrued benefits liability	**128**	153
Other liabilities	**358**	341
Total liabilities	**85,621**	81,865
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Protected borrower stock	**1**	1
Capital stock	**602**	606
Unallocated retained earnings	**28,134**	27,310
Accumulated other comprehensive income/(loss)	**(27)**	(31)
Total shareholders' equity	**28,710**	27,886
Total liabilities and shareholders' equity	**$ 114,331**	$ 109,751

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

Consolidated Statement of Income

(Dollars in Thousands)

UNAUDITED	For the three months ended September 30 2011	For the three months ended September 30 2010	For the nine months ended September 30 2011	For the nine months ended September 30 2010
INTEREST INCOME				
Loans	**$ 1,506**	$ 1,515	**$ 4,494**	$ 4,594
Total interest income	**1,506**	1,515	**4,494**	4,594
INTEREST EXPENSE				
Note payable to U.S. AgBank, FCB	**815**	862	**2,461**	2,627
Other	**3**	-	**4**	1
Total interest expense	**818**	862	**2,465**	2,628
Net interest income	**688**	653	**2,029**	1,966
Provision for loan losses/(Loan loss reversal)	**25**	(4)	**32**	(28)
Net interest income after provision for loan losses/(loan loss reversal)	**663**	657	**1,997**	1,994
NONINTEREST INCOME				
Financially related services income	**-**	-	**1**	3
Loan fees	**1**	23	**2**	28
Patronage refund from Farm Credit Institutions	**-**	-	**538**	154
Farm Credit Insurance Fund distribution	**-**	-	**-**	100
Other noninterest income	**2**	2	**16**	11
Total noninterest income	**3**	25	**557**	296
NONINTEREST EXPENSE				
Salaries and employee benefits	**226**	225	**752**	701
Occupancy and equipment	**13**	11	**45**	36
Purchased services from AgVantis, Inc.	**57**	55	**190**	166
Losses on other property owned, net	**-**	3	**1**	3
Farm Credit Insurance Fund premium	**14**	11	**42**	34
Supervisory and examination costs	**12**	11	**37**	32
Other noninterest expense	**86**	67	**271**	239
Total noninterest expense	**408**	383	**1,338**	1,211
Net income	**$ 258**	$ 299	**$ 1,216**	$ 1,079

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNADUITED	Protected Borrower Stock	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2009	$ 1	$ 597	$ 26,394	$ (40)	$ 26,952
Comprehensive income					
Net income			1,079		
Change in retirement obligation				6	
Total comprehensive income					1,085
Stock issued	-	44			44
Stock retired	-	(38)			(38)
Patronage distributions: Cash			(366)		(366)
Balance at September 30, 2010	$ 1	$ 603	$ 27,107	$ (34)	$ 27,677
Balance at December 31, 2010	$ 1	$ 606	$ 27,310	$ (31)	$ 27,886
Comprehensive income					
Net income			1,216		
Change in retirement obligation				4	
Total comprehensive income					1,220
Stock issued		81			81
Stock retired	-	(85)			(85)
Patronage distributions: Cash			(392)		(392)
Balance at September 30, 2011	**$ 1**	**$ 602**	**$ 28,134**	**$ (27)**	**$ 28,710**

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

Consolidated Statement of Cash Flows

(Dollars in Thousands)

	For the nine months ended September 30	
UNAUDITED	**2011**	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 1,216**	$ 1,079
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation	**21**	19
Provision for loan losses/(Loan loss reversal)	**32**	(28)
Change in assets and liabilities:		
Increase in accrued interest receivable	**(412)**	(459)
Decrease in prepaid benefit expense	**56**	54
Decrease in other assets	**32**	43
Increase in accrued interest payable	**63**	72
Decrease in accrued benefits liability	**(21)**	(7)
Increase/(Decrease) in other liabilities	**17**	(28)
Total adjustments	**(212)**	(334)
Net cash provided by operating activities	**1,004**	745
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in loans, net	**(4,379)**	(2,222)
Expenditures for premises and equipment, net	**(22)**	(2)
Net cash used in investing activities	**(4,401)**	(2,224)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net draw on note payable to U.S. AgBank, FCB	**3,511**	1,606
Increase/(Decrease) in advance conditional payments	**190**	(25)
Capital stock retired	**(85)**	(38)
Capital stock issued	**81**	44
Cash patronage distributions paid	**(392)**	(366)
Net cash provided by financing activities	**3,305**	1,221
Net decrease in cash	**(92)**	(258)
Cash at beginning of year	**241**	478
Cash at end of year	**$ 149**	$ 220
SUPPLEMENTAL CASH INFORMATION:		
Cash paid during the year for interest	**$ 2,402**	$ 2,556
Income taxes	**$ 2**	$ -
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Financed sales of other property owned	**$ -**	$ 426
Loans transferred to other property owned	**$ -**	$ 217
Change in accumulated other comprehensive income/loss	**$ 4**	$ 6

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

NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Central Oklahoma, ACA (the 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. These unaudited third quarter 2011 financial statements should be read in conjunction with the 2010 Annual Report to Shareholders.

In December 2010, U.S. AgBank, FCB (AgBank), Farm Credit of Central Oklahoma'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 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 Financial Accounting Standards Board (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 ending after December 15, 2012 and interim and annual periods thereafter. 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 July 2010, the FASB issued guidance on “Disclosures about the 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 the 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 by class, nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For nonpublic entities, all disclosures are effective for interim and annual reporting periods ending on or after December 15, 2011. The adoption of this Standard will not have an impact on the Association’s financial condition or results of operations, but will result in additional disclosures.

Effective January 1, 2010, the Association adopted FASB 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 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 Association’s financial condition and 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. The results for the nine months ended September 30, 2011, are not necessarily indicative of the results to be expected for the year ended December 31, 2011.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the allowance for loan losses follows.

	September 30, 2011	September 30, 2010
Balance at beginning of year	**$ 228**	$ 306
Provision for loan losses/(Loan loss reversal)	**32**	(28)
Balance at end of period	**$ 260**	$ 278

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following presents information relating to impaired loans including accrued interest.

	September 30, 2011	September 30, 2010
Impaired loans with related allowance	**$ 973**	$ —
Impaired loans with no related allowance	**379**	211
Total impaired loans	**$ 1,352**	$ 211
Allowance on impaired loans	**$ 108**	$ —

The following table summarizes impaired loan information.

	For the nine months ended	
	September 30, 2011	September 30, 2010
Average impaired loans	**$ 894**	$ 275
Interest income recognized on impaired loans	**$ 13**	$ 13

NOTE 3 - 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2 to the 2010 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Assets held in nonqualified benefits trusts				
September 30, 2011	**$ 49**	**$ —**	**$ —**	**$ 49**
December 31, 2010	$ 81	$ —	$ —	$ 81

During the first nine months of 2011, the Association recorded no transfers in or out of Levels 1, 2, or 3.

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2011 or December 31, 2010.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			**Total Fair Value**	**Total Gains/(Losses)**
	Level 1	**Level 2**	**Level 3**		
Assets:					
September 30, 2011					
Loans	**$ —**	**$ —**	**$ 865**	**$ 865**	**$ 108**
Other property owned	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

The Association had no liabilities measured at fair value on a non-recurring basis at September 30, 2011 or December 31, 2010.

Valuation Techniques

As more fully discussed in Note 2 to the 2010 Annual Report to Shareholders, 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 presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified 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.

Loans

For certain loans evaluated for impairment under FASB guidance, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. 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 that the principal balance of the loan, a specific reserve is established.

NOTE 4 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 7, 2011, which is the date the financial statements were available to be issued, and no material subsequent events were identified.

FARM CREDIT OF CENTRAL OKLAHOMA, ACA

BOARD OF DIRECTORS

Alan Schenk, Chairman	Chickasha
Sam Mitchell, Vice Chairman	Fletcher
Larry Bridwell	Blanchard
Ricky Carothers	Indiahoma
Bobby Tarp	Lexington

OFFICERS AND EMPLOYEES

Blake Byrd	President
Michael C. Prochaska	Sr. Vice President – Finance
Russell B. Strecker	Vice President- Credit
Arnold H. Johnson	Vice President
Erral Myers	Vice President
Recia Orme	Accountant
Sandy Jones	Loan Closer
Sarah Reynolds	Loan Accountant
Carol Jones	Office Assistant
Jaimie Allen	Office Assistant