

American AgCredit, ACA

2010 Second Quarter Report to Shareholders

The shareholders' investment in Farm Credit of American AgCredit, ACA is materially affected by the financial condition and results of operations of U.S. AgBank, FCB, (AgBank). The 2009 AgBank Annual Report to Shareholders, the 2009 AgBank District Annual Report to Shareholders, the AgBank quarterly shareholders' reports and the AgBank District quarterly shareholders' reports are available on AgBank's web site, www.usagbank.com, or may be obtained at no charge by calling American AgCredit at (800) 800-4865 or visiting the office at 200 Concourse Blvd. Santa Rosa, CA 95403.

Message to Stockholders

Dear Stockholder:

The Association continued to generate strong core earnings during the second quarter despite incurring credit deterioration in isolated accounts that required additional loan loss provisions and revaluation of properties acquired in foreclosure. The decline in real estate values that has plagued homeowners nationwide has also affected many farm properties. The Association has actively monitored property values and has taken a conservative position on reflecting current market values of loan collateral in its portfolio. In a small number of cases, this approach has warranted the adjustment of the credit status of the loan or, in the case of properties acquired by the Association in foreclosure, writing down the value of those properties to reflect current conditions. The Association is well capitalized and able to withstand these financial setbacks. Management maintains a Risk Management department to monitor and evaluate credit and operational risks to the Association and to implement mitigating controls to ensure exposure to risk is minimal. But we don't expect a single department to manage the risks inherent in agricultural lending – it is the job of every employee to identify and expose issues before they become major problems. We take that responsibility seriously and it is a primary reason why we've thrived in both good economic times and bad over our century-long history.

Financial Condition and Results of Operations: Second quarter income totaled \$14.1 million. Net interest income increased from \$33.3 million last quarter to \$34.4 million as a result of marginally higher interest rate spreads. Return on average assets for the quarter was 1.17%. Operating costs decreased from \$18.8 million in the 1st quarter to \$16.8 million due primarily to decreases in employee-related costs and the retroactive adjustment to the Farm Credit System Insurance Corporation (FCSIC) premium to reflect reduced premium rates that will be effective for the remainder of 2010.

Accrual loan volume reached \$4.5 billion at June 30, 2010. Non-accrual loans stand at \$63.0 million, a decrease of \$7.6 million from the 1st quarter. Nonaccrual loans represent 1.4% of total loan volume. At June 30, 2009, accrual and nonaccrual volume stood at \$3.7 billion and \$53.3 million respectively. The merger with Farm Credit Services of the Heartland in November 2009 added approximately \$800 million in loan volume to the portfolio.

Director Election: All the incumbents of the board were recently re-elected to new terms. The board is currently comprised of 19 members who have been either elected or appointed to represent your interests as a stockholder. Board members welcome input from their constituents. A list of board members can be found in the Association's Annual Report or on the Association's web site at www.agloan.com.


The undersigned certify that the 2010 2nd Quarter Shareholder Report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Dave Santos
Chairman



Ron Carli
Chief Executive Officer



Chris B. Call
Chief Financial Officer

July 30, 2010

FINANCIAL STATEMENTS

(\$000s)

STATEMENT OF CONDITION	June 30		Dec. 31	
	2010	2009	2009	2008
	Unaudited	Unaudited	Audited	Audited
ASSETS				
Loans	\$4,535,765	\$3,756,236	\$4,747,370	\$3,783,018
Less: allowance for loan losses	(22,183)	(15,383)	(12,293)	(8,843)
Net Loans	4,513,582	3,740,853	4,735,077	3,774,175
Investment in the U.S. AgBank	119,327	99,143	119,327	99,143
Investment in CoBank	13,598	11,526	11,622	10,005
Accrued interest receivable	49,581	33,059	44,792	31,303
Premises and equipment	30,088	23,430	27,829	22,150
Other Property Owned	12,988	162	4,626	162
Other Assets	25,159	15,104	39,901	13,587
Total Assets	<u>\$4,764,323</u>	<u>\$3,923,277</u>	<u>\$4,983,174</u>	<u>\$3,950,525</u>
LIABILITIES				
Note payable to U.S. AgBank	\$3,647,865	\$3,155,288	\$3,925,037	\$3,158,343
Funds Held Accounts	10,639	8,912	7,001	5,000
Accrued interest payable	8,591	6,769	17,598	8,461
Other liabilities	76,721	21,284	58,640	37,538
Total Liabilities	<u>\$3,743,816</u>	<u>\$3,192,253</u>	<u>\$4,008,276</u>	<u>\$3,209,342</u>
MEMBERS' EQUITY				
Common stock and participation certificates	\$6,627	\$3,215	\$6,722	\$3,234
Preferred stock	121,655	96,865	116,286	125,422
Additional Paid in Capital	206,226	-	206,226	-
Unallocated retained earnings	686,000	630,944	645,664	612,527
Total Members' Equity	<u>1,020,507</u>	<u>731,024</u>	<u>974,898</u>	<u>741,183</u>
Total Liabilities and Members' Equity	<u>\$4,764,323</u>	<u>\$3,923,277</u>	<u>\$4,983,174</u>	<u>\$3,950,525</u>
STATEMENT OF INCOME				
Unaudited				
	For the three months ended June 30		For the six months ended June 30	
	2010	2009	2010	2009
Interest income	\$61,168	\$46,503	\$121,764	\$92,113
Interest expense	(26,680)	(20,652)	(52,877)	(42,026)
Net interest income	34,488	25,851	68,887	50,087
Other income	2,866	2,175	19,725	8,065
Loan Loss (Provision)/Benefit	(6,057)	(1,879)	(12,761)	(11,009)
Operating and other expenses	(16,777)	(14,520)	(35,636)	(29,924)
Income before taxes	14,520	11,627	40,215	17,219
Benefit /(Provision) for income taxes	(451)	555	258	1,453
Net income	<u>\$14,069</u>	<u>\$12,182</u>	<u>\$40,473</u>	<u>\$18,672</u>

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

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the six months ended June 30, 2009 and 2010

	Capital Stock	Preferred Stock	Additional Paid in Capital	Unallocated Retained Earnings	Total Members' Equity
Balance at December 31, 2008	\$3,234	\$125,422		\$612,527	\$741,183
Comprehensive Income					
Net income				18,671	18,671
Amortization of costs included in net periodic benefit cost				52	52
Total Comprehensive Income					18,723
Stock issued	118	102,568			102,686
Stock retired	(137)	(131,519)			(131,656)
Preferred stock dividends paid		394		(394)	0
Adjustment to patronage declared				88	88
Balance at June 30, 2009	<u>\$3,215</u>	<u>\$96,865</u>		<u>\$630,944</u>	<u>\$731,024</u>
Balance at December 31, 2009	\$6,722	\$116,286	\$206,226	\$645,664	\$974,898
Comprehensive Income					
Net income				40,473	40,473
Amortization of costs included in net periodic benefit cost				38	38
Total Comprehensive Income					40,511
Stock issued	200	65,343			65,543
Stock retired	(295)	(60,286)			(60,581)
Preferred stock dividends paid		312		(312)	0
Adjustment to patronage declared				136	136
Balance at June 30, 2010	<u>\$6,627</u>	<u>\$121,655</u>	<u>\$206,226</u>	<u>\$685,999</u>	<u>\$1,020,507</u>

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

Notes to the Financial Statements

(Unaudited)

NOTE 1 - Organization and Significant Accounting Policies

A description of the organization and operations of the American AgCredit, ACA (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2009 are contained in the 2009 Annual Report to Stockholders (2009 Annual Report) for American AgCredit, ACA. These unaudited second quarter 2010 financial statements of the Association should be read in conjunction with the 2009 Annual Report. The financial statements were prepared under the oversight of the audit committee of the board of directors. The financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to generally accepted accounting principles and prevailing practices within the banking industry. The results of operations for the three-month and six-month periods ended June 30, 2010 are not necessarily indicative of results to be expected for the full year.

The Association merged with Farm Credit of the Heartlands, ACA on November 30, 2009. The merger was accounted for under the acquisition method of accounting. As a result, financial statement information for periods preceding November 30, 2009 include only the results and balances of American AgCredit as they existed before the merger. Financial information subsequent to that date incorporate the combined balances of the merged associations. More information on the merger accounting can be found in the 2009 Annual Report.

Effective January 1, 2010, the Association adopted Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurements by increasing transparency in financial reporting. The guidance will provide for a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on the Association's financial condition and results of operations but resulted in additional disclosures.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by improving the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets.

This guidance was effective January 1, 2010. This Statement must be applied to transfers occurring on or after the effective date. Additionally, the concept of a qualifying special purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance. If the evaluation results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. The Association reviewed its loan participation agreements to ensure that participations would meet the requirements for sales treatment and not be required to be consolidated. The impact of adoption on January 1, 2010 was immaterial to the Association's financial condition and results of operations.

In June 2009, the FASB also issued guidance to improve financial reporting for those enterprises involved with variable interest entities, which amends previous guidance by requiring an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance.

This guidance was effective January 1, 2010. The Association reviewed transactions that are included in the scope of this guidance and determined that the impact of adoption on January 1, 2010 was immaterial to its financial condition and results of operations.

NOTE 2 - Capital

At June 30, 2010, the Association's regulatory capital ratio was 18.0%, which exceeds the minimum of 7.0% required by our regulators, the Farm Credit Administration.

Association shareholders have approved a class of preferred stock known as H Stock. At June 30, 2010 200 million shares of the stock are authorized at \$1.00 par value. H stock ownership is limited to existing common stockholders of the Association and is considered "at-risk". The stock bears a dividend rate that is set by the Board of Directors. Retirement of the stock is at the discretion of the Board. At June 30, 2010 there were 121,654,640 shares of H stock issued and outstanding. The dividend rate at June 30, 2010 was 0.50%.

NOTE 3 - Allowance for Loan Losses

A summary of activity in the allowance for loan losses follows (in 000s):

For the six months ended June 30:

	<u>2010</u>	<u>2009</u>
Beginning balance - Jan. 1	\$12,293	\$8,843
Recoveries	1,378	70
Loss provision adjustment	12,761	11,009
Loans charged off	<u>(4,249)</u>	<u>(4,539)</u>
Ending balance – June 30	<u>\$22,183</u>	<u>\$15,383</u>

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions, and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of June 30, 2010, the allowance for loan losses is adequate based on information currently available.

The following table presents information concerning impaired loans as of June 30, (in 000s)

	<u>2010</u>	<u>2009</u>
Impaired loans with related allowance	\$35,369	\$14,811
Impaired loans with no related allowance	34,086	39,984
Total impaired loans	\$69,455	\$54,795
Allowance on impaired loans	\$8,151	\$5,927

Impaired loan information for the quarter ended June 30, is summarized as follows, (in 000s):

	<u>2010</u>	<u>2009</u>
Average impaired loans	\$70,679	\$53,465
Interest income recognized on impaired loans	\$228	\$56

NOTE 4 - Purchased and Sold Loans

The Association, in the normal course of business, regularly purchases and sells loans in whole or in part. All loans sold to others are sold without recourse. The following table summarizes these loans (in millions):

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Dec. 31, 2009</u>
Loans purchased from others	\$570.4	\$235.6	\$553.2
Loans sold to others	\$2,393.7	\$2,688.7	\$2,689.6
Retained interest in sold loans	\$601.0	\$690.0	\$699.7
Syndications serviced for others	\$1,614.9	\$1,674.3	\$1,067.8
Loans sold to and serviced for Farmer Mac	\$0.4	\$0.5	\$0.4

NOTE 5 – Fair Value Measurements

SFAS No. 157 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 to the 2009 Annual Report to Stockholders.

Assets and liabilities measured at fair value on a non-recurring basis at June 30, 2010 for each of the fair value hierarchy values are summarized below, (in 000s):

	<u>Level 3</u>	<u>Fair Value Measurement Using Total Fair Value</u>
Assets:		
Loans	\$30,797	\$30,797
Other property owned	\$13,093	\$13,093
Loans acquired in merger	\$703,051	\$703,051
Liabilities:		
Debt acquired in merger	\$577,237	\$577,237

Valuation Techniques

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 Associations' assets and liabilities.

Impaired 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.

Loans and Debt acquired in merger

At the merger of American AgCredit and Farm Credit of the Heartlands on November 30, 2009, the Association acquired loans receivable and related notes payable. These assets and liabilities were recorded at their fair market value, as determined by discounting the expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit risk, on the date of merger. The fair market value has been amortized consistent with generally accepted accounting principles. The values shown in the table above represent the unamortized fair values of the assets and liabilities as of June 30, 2010.

Other Property Owned

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

NOTE 6 – Director Severance Payments

Subsequent to the merger of American AgCredit ACA and Farm Credit of the Heartland, ACA, the Board of Directors concluded that it would be in the best interest of the stockholders to reduce the size of the board by eliminating board positions. The Board evaluated the costs of travel, honorariums and other board expenses that would be incurred to retain all directors and determined that long-term cost savings could be achieved by offering a severance payment to each director that voluntarily resigned from the board. The directors who chose to resign and the severance amounts paid to them are as follows:

Mike Bellar	\$ 10,000
Jim Cirona	\$ 10,000
Norman Hildebrand	\$ 10,000
David Jacques	\$ 10,000
Bruce Ott	\$ 10,000
Gary Pelton	\$ 10,000
Judy Riggs	\$ 10,000
Robert Scattini	\$ 10,000
LewJene Schneider	\$ 10,000
Curtis Vap	\$ 10,000
Harold Wooderson	\$ 10,000
Total	<u>\$110,000</u>

The above payments were made in December 2009 and were included in the directors' compensation that was disclosed in the 2009 Annual Report to Shareholders.

NOTE 7 - Subsequent Events

The Association has evaluated subsequent events through July 30, which is the date the financial statements were issued.