

## Message to Stockholders

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Dear Stockholder:

After record earnings in 2008, first quarter earnings in 2009 were adversely impacted by a \$9.1 million addition to the Allowance for Loan Losses. This allowance recognized the deterioration of credit quality primarily in two large loan complexes. This reduced income by 56% from what it would have otherwise been. The national economic recession played a part in these credit adjustments, however, the majority of the loan loss provision was related to isolated issues that are not indicative of a wider credit problem.

Despite these credit issues, the Association remains strong. With over \$748 million in equity, the Association can weather difficult periods in the agricultural industry just as it has for the past 90+ years. Net interest earnings are almost \$4 million greater in the first quarter of 2009 than they were in 2008. Income before provisions rose \$500,000 over the previous year. Your board of directors and the management of the Association have tenures that stretch back through previous tumultuous times and are applying that experience to ensure continued prosperity for the Association.

**Online Banking:** The Association has introduced a new online banking application to allow customers easy and unlimited access to their account balances and transaction history. Customers can also initiate funds transfers to and from their AgCredit account. Customers can find this online banking application at [www.agloan.com](http://www.agloan.com).

**Financial Condition and Results of Operations:** First quarter income totaled \$6.5 million, \$6.8 million less than the first quarter of 2008. This represents a return on average assets for the quarter of .66%. Had the additional \$9.1 million loan loss provision not been recognized, first quarter income would have been \$14.7 million and the return on average assets for the quarter would have been 1.51%. Net interest income increased from \$20.8 million in 2008 to \$24.2 million in 2009 as a result of increased loan volume and improved interest rate margins since last year. Operating costs rose to \$15.4 million from \$13.8 million a year earlier due primarily to increased employee costs.

Accrual loan volume reached \$3.65 billion at March 31, 2009, up 15% from the same period in 2008. Non-accrual loans stand at \$55.8 million, an increase of \$44 million from the first quarter of last year. Nonaccrual loans represent 1.5 percent of total loan volume. At March 31, 2008, accrual and nonaccrual volume stood at \$3.16 billion and \$11.7 million respectively.

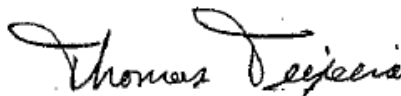
The financial condition and the results of operations of U.S. AgBank materially affect your investment in the Association. To obtain a copy of the Bank's quarterly report to shareholders, free of charge, please contact the Bank at P.O. Box 2940, Wichita, KS 67201-2940 or call (800) 322-9880.

As always, please contact us with your comments or questions.

Sincerely,



**Ron Carli**  
President and CEO



**Tom Teixeira**  
Chairman of the Board

April 21, 2009

## FINANCIAL STATEMENTS

(Unaudited and in \$000s)

STATEMENT OF CONDITION	March 31		Dec. 31	
	2009	2008	2008	2007
<b>ASSETS</b>				
Loans	<b>\$3,703,187</b>	\$3,177,320	\$3,783,018	\$3,240,167
Less: allowance for loan losses	<b>(17,974)</b>	(10,608)	(8,843)	(9,447)
Net Loans	<b>3,685,213</b>	3,166,712	3,774,175	3,230,720
Investment in the U.S. AgBank	<b>99,143</b>	99,143	99,143	99,143
Investment in CoBank	<b>11,527</b>	10,005	10,005	9,580
Accrued interest receivable	<b>27,292</b>	29,109	31,303	36,164
Premises and equipment	<b>22,426</b>	19,499	22,150	18,686
Other Assets	<b>14,025</b>	9,000	13,749	17,885
Total Assets	<b><u>\$3,859,626</u></b>	<u>\$3,333,468</u>	<u>\$3,950,525</u>	<u>\$3,412,178</u>
<b>LIABILITIES</b>				
Note payable to U.S. AgBank	<b>\$3,076,380</b>	\$2,555,589	\$3,158,343	\$2,684,154
Funds Held Accounts	<b>10,680</b>	29,325	5,000	12,476
Accrued interest payable	<b>6,972</b>	9,323	8,461	10,990
Other liabilities	<b>16,618</b>	18,498	37,538	42,564
Total Liabilities	<b><u>\$3,110,650</u></b>	<u>\$2,612,735</u>	<u>\$3,209,342</u>	<u>\$2,750,184</u>
<b>MEMBERS' EQUITY</b>				
Common stock and participation certificates	<b>\$3,215</b>	\$3,184	\$3,234	\$3,173
Preferred stock	<b>126,884</b>	134,320	125,422	87,758
Unallocated retained earnings	<b>618,877</b>	583,229	612,527	571,063
Total Members' Equity	<b><u>748,976</u></b>	<u>720,733</u>	<u>741,183</u>	<u>661,994</u>
Total Liabilities and Members' Equity	<b><u>\$3,859,626</u></b>	<u>\$3,333,468</u>	<u>\$3,950,525</u>	<u>\$3,412,178</u>
<b>STATEMENT OF INCOME</b>				
	For the three months ended March. 31			
	2009	2008		
Interest income	<b>\$45,610</b>	\$51,593		
Interest expense	<b>(21,374)</b>	(30,788)		
Net interest income	<b>24,236</b>	20,805		
Other income	<b>5,890</b>	7,181		
Loan Loss Provision	<b>(9,129)</b>	(1,280)		
Operating and other expenses	<b>(15,405)</b>	(13,764)		
Income before taxes	<b>5,592</b>	12,942		
Benefit /(Provision) for income taxes	<b>898</b>	300		
Net income	<b><u>\$6,490</u></b>	<u>\$13,242</u>		

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

## STATEMENT OF CHANGES IN MEMBERS' EQUITY

Three months ended March 31, 2008 and 2009	Capital Stock	Preferred Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Members' Equity
Balance at December 31, 2007	\$3,173	\$87,758	\$571,351	\$(288)	\$661,994
Comprehensive Income					
Net income			13,242		
Amortization of costs included in net periodic benefit cost				12	
Total Comprehensive Income					13,254
Effect of changing defined benefit plan measurement date			(105)		(105)
Stock issued	78	99,283			99,361
Stock retired	(67)	(53,822)			(53,889)
Preferred stock dividends paid		1,101	(1,101)		
Adjustment to patronage declared			118		118
<b>Balance at March 31, 2008</b>	<b><u>\$3,184</u></b>	<b><u>\$134,320</u></b>	<b><u>\$583,505</u></b>	<b><u>\$(276)</u></b>	<b><u>\$720,733</u></b>
Balance at December 31, 2008	\$3,234	\$125,422	\$613,451	\$(924)	\$741,183
Comprehensive Income					
Net income			6,490		
Amortization of costs included in net periodic benefit cost				26	
Total Comprehensive Income					6,516
Stock issued	58	78,942			79,000
Stock retired	(77)	(77,734)			(77,811)
Preferred stock dividends paid		254	(254)		
Adjustment to patronage declared			88		88
<b>Balance at March 31, 2009</b>	<b><u>\$3,215</u></b>	<b><u>\$126,884</u></b>	<b><u>\$619,775</u></b>	<b><u>\$(898)</u></b>	<b><u>\$748,976</u></b>

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, 2008 are contained in the 2008 Annual Report to Stockholders (2008 Annual Report) for American AgCredit, ACA. These unaudited first quarter 2009 financial statements of the Association should be read in conjunction with the 2008 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. The results of operations for the three-month period ended March 31, 2009 are not necessarily indicative of results to be expected for the full year.

In March, the Board of Directors signed a Letter of Intent to merge with Farm Credit of the Heartland, ACA (Heartland) headquartered in Wichita, Kansas. Under the terms of the Letter, Heartland would be merged into American AgCredit and the new association would be headquartered in Santa Rosa, California and be called American AgCredit. Both associations are presently conducting due diligence. A comprehensive disclosure package will be sent to stockholders of both organizations prior to a stockholder vote. The tentative date for the merger is December 1, 2009.

### NOTE 2 – Capital

At March 31, 2009, the Association's regulatory capital ratio was 16.27%, 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 March 31, 2009, 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 March 31, 2009 there were 126,884,331 shares of H stock issued and outstanding. The dividend rate at March 31, 2009 was .50%.

### NOTE 3 - Allowance for Loan Losses

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

#### For the three months ended March 31:

	2009	2008
Beginning balance - Jan. 1	\$8,843	\$9,447
Recoveries	1	
Loss provision adjustment	9,130	1,280
Loans charged off		(119)
Ending balance – March 31	<u>\$17,974</u>	<u>\$10,608</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 March 31, 2009, the allowance for loan losses is adequate based on information currently available.

The following table presents information concerning impaired loans as of March 31, (in 000s)

	2009	2008
Impaired loans with related allowance	\$19,381	\$6,371
Impaired loans with no related allowance	\$36,372	\$5,352
Total impaired loans	<u>\$55,753</u>	<u>\$11,723</u>
Allowance on impaired loans	\$10,449	\$3,235

Impaired loan information for the quarter ended March 31, is summarized as follows, (in 000s):

	<u>2009</u>	<u>2008</u>
Average impaired loans	<b>\$34,478</b>	\$13,685
Interest income recognized on impaired loans	<b>\$(25)</b>	\$133

#### **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>Mar. 31, 2009</u>	Mar. 31, 2008	Dec. 31, 2008
Loans purchased from others	<b>\$244.1</b>	\$212.8	\$315.5
Loans sold to others	<b>\$2,733.8</b>	\$2,028.5	\$2,704.2
Retained interest in sold loans	<b>\$705.6</b>	\$530.3	\$686.2
Syndications serviced for others	<b>\$1,726.9</b>	\$1,735.6	\$1,736.0
Loans sold to and serviced for Farmer Mac	<b>\$ .5</b>	\$1.0	\$.5

#### **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 2008 Annual Report to Stockholders.

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy values are summarized below, (in 000s):

	<b>Fair Value Measurement Using <u>Level 3</u></b>	<b><u>Total Fair Value</u></b>
<b>Assets:</b>		
Loans	\$11,928	\$11,928
Other property owned	\$162	\$162

#### **Valuation Techniques**

SFAS No. 157 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 related Associations' assets and liabilities.

##### *Loans*

For certain loans evaluated for impairment under SFAS No. 114, 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.

##### *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.

#### **Note 6 – Subsequent Event**

On April 22, 2009, the Board of Directors approved a \$4.5 million charge off of a nonaccrual loan. This amount had already been incorporated in the Association's March 31, 2009 allowance for loan loss provision and, as a result, will have no future impact on the Association's Income Statement. See Note 2 to the 2008 Annual Report to Stockholders for additional information on Allowance for Loan Losses.

The following table outlines the changes to the Association's Statement of Condition had the charge off been recorded at March 31, 2009:

<b>Statement of Condition</b>	<b>Actual</b>	<b>Adj for Charge Off</b>
	<b>March 31, 2009</b>	<b>March 31, 2009</b>
<b>Assets</b>		
Loans	\$3,703,187	\$3,698,647
less: Allowance for loan loss	(17,974)	(13,434)
Net Loans	<u>\$3,685,213</u>	<u>\$3,685,213</u>