

Third Quarter

Report to Shareholders

(Unaudited)

As of September 30, 2011

***FARM CREDIT OF
SOUTHERN COLORADO, ACA***

NOTICE TO STOCKHOLDERS

The shareholders' investment in Farm Credit of Southern Colorado, ACA is materially affected by the financial condition and results of operations of U.S. AgBank, FCB (AgBank). The 2010 AgBank Annual Report to Shareholders, the 2010 AgBank District Annual Report to Shareholders, the AgBank quarterly shareholders' reports and the AgBank District quarterly shareholders' reports are available free of charge by accessing AgBank's website, www.usagbank.com, or may be obtained at no charge by contacting us at:

Farm Credit of Southern Colorado, ACA
3625 Citadel Drive South, PO Box 9290
Colorado Springs, Colorado 80932-0290
Phone Number: 800-815-8559

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

The following discussion summarizes the financial position and results of operations of Farm Credit of Southern Colorado, 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.

The extremely dry pattern that emerged late last summer/fall has generally continued through the year for most of the Association's territory. A major portion of southern and eastern Colorado has some level of drought condition and the territory we serve is classified as moderate/severe to extreme drought. Statistically, portions of the territory are experiencing the driest conditions of the past 50 years. These conditions are a major concern and have adversely impacted dry land crops and pastures. The predictions are for the dry pattern to continue, although monsoon weather patterns did bring some relief (albeit short-lived) in the late summer. Despite the drought conditions east of the Rockies, the winter snow pack conditions for the Arkansas watershed provided adequate water for summer irrigation. Conditions in the Upper Rio Grande watershed were not as favorable, but allocation reductions were not severe. Better conditions existed in the northern Rockies which received substantially better than average snow pack conditions. For these reasons, the irrigated crops were not impacted by water shortages this summer. Planting conditions for the 2012 winter wheat crop were less than ideal and winter moisture will be a critical factor for producers.

Cattle, grain and hay prices remain high due to tight supplies and producers saw strong market prices for the 2010 potato crop and expect good prices for the 2011 marketing period. Due to strong prices, the margins for producers are expected to remain strong this year, but dry land producers will see their returns diminish due to reduced yields, as will ranch operations that marketed cattle or culled cow herds early due to the drought. Although grain and hay prices will adversely impact the livestock producers in the coming year, cattle and dairy operations are expected to remain profitable.

Real estate prices for irrigated and dry land farmland have continued to rise, and ranch property values have been and are expected to remain stable. However, properties which have urban influence along the Colorado Front Range and land for recreational use continue to be soft (after significant declines in values) as a result of the recession and unstable economic conditions. Land values in the San Luis Valley have been stable over the past year and are expected to remain at current levels in the next year.

We were a party to a shared lending operation known as the Agribusiness Finance Group (AFG). The agreement included our association, Farm Credit Services of the Mountain Plains, ACA, Premier Farm Credit, ACA, and Farm Credit of New Mexico, ACA. Along with these associations, we pooled our resources to coordinate and enhance the marketing, originating and servicing of large, complex commercial and mortgage loans, as well as diversify risk. The AFG was terminated on September 1, 2011.

We are a party to a shared lending operation known as the Commercial Finance Group (CFG). The agreement includes our Association together with Premier Farm Credit, ACA; Farm Credit Services of East Central Oklahoma, ACA; United FCS, ACA; AgCountry Farm Credit Services, ACA; Farm Credit Services of North Dakota, ACA; Farm Credit Services of Mandan, ACA; and Farm Credit Services of Western Arkansas, ACA. Along with these associations, we pool our resources to coordinate and enhance the marketing, originating and servicing of large, complex commercial and mortgage loans, as well as diversify risk. This agreement was consummated December 2010.

LOAN PORTFOLIO

Loans outstanding at September 30, 2011 totaled \$698.0 million, a decrease of \$47.5, or 6.37%, from loans of \$745.5 at December 31, 2010. The decrease occurred in both our participation purchased

portfolio as well as our core business portfolio. The decrease in our core business portfolio was due to high grain prices which allowed producers to operate on less borrowed funds this year while there has also been lower demand in the crop input costs for dry land crops due to the drought stress. Our participation purchased portfolio decreased due to payoffs and lower hold positions in new and refinanced credits caused by the increased competition in the capital market arena as lenders compete for loan volume.

OTHER PROPERTY OWNED

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. We had other property owned of \$1.8 million at September 30, 2011 which was unchanged from December 31, 2010.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2011 was \$11.4 million, an increase of \$2.6 million, or 29.22%, from the same period ended one year ago, primarily due to patronage from U.S. AgBank, FCB (AgBank).

Net interest income for the nine months ended September 30, 2011 was \$15.3 million, an increase \$1.1 million, or 7.90%, from the same period ended one year ago. Interest income increased as a result of an increase in average year-to-date accrual loans for the first nine months of 2011 compared to 2010, and an increase in interest rate spread primarily due to a 10 basis point reduction charged to us by AgBank on our note payable.

The provision for loan losses for the nine months ended September 30, 2011 was \$2.2 million, an increase of \$661 thousand, or 44.13%, from the provision for loan losses for the same period ended one year ago. The provision for loan losses increased as a result of \$1.6 million in net charge offs that were recorded on six loan complexes during the first nine months of 2011, along with an increase in the calculated general reserve mainly due to an increase in risk related to specialty crop/onion producer loans and loans secured by land in transition. The increase was partially offset by a reduction in specific reserves.

Noninterest income increased \$2.2 million during the first nine months of 2011 compared with the same period in 2010 primarily due to patronage received from AgBank of \$3.9 million. Additionally, during the first quarter of 2010, we received our allocated portion of a distribution of \$775 thousand from Farm Credit System Insurance Company (FCSIC), which offset the increase in noninterest income.

During the first nine months of 2011, noninterest expense increased \$141 thousand, or 2.21%, to \$6.5 million, primarily due to an \$87 thousand increase in purchased services.


CAPITAL RESOURCES

Our shareholders' equity at September 30, 2011 was \$187.8 million, an increase from \$169.4 million at December 31, 2010. This increase is due to net income and net stock issuances offset by the amortization of pension gains included in the net periodic benefit cost.

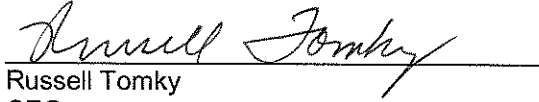
OTHER MATTERS

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.

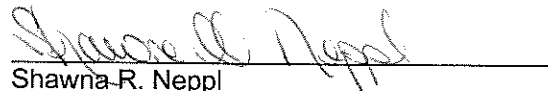
The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.



Gary Pautler
Chairman of the Board
November 4, 2011



Russell Tomky
CEO
November 4, 2011



Shawna-R. Neppi
CFO
November 4, 2011

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2011 UNAUDITED	December 31 2010 AUDITED
ASSETS		
Loans	\$ 698,050	\$ 745,510
Less allowance for loan losses	4,252	3,706
Net loans	693,798	741,804
Cash	5,850	2,069
Accrued interest receivable	13,982	11,008
Investment in U.S. AgBank, FCB	20,064	20,064
Premises and equipment, net	2,769	2,576
Other property owned	1,812	1,812
Prepaid benefit expense	606	840
Deferred tax asset	2	-
Other assets	585	663
Total assets	\$ 739,468	\$ 780,836
LIABILITIES		
Note payable to U.S. AgBank, FCB	\$ 542,387	\$ 596,871
Advance conditional payments	1,081	761
Accrued interest payable	6,859	8,474
Patronage distributions payable	-	2,500
Accrued benefits liability	253	285
Other liabilities	1,086	2,547
Total liabilities	551,666	611,438
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Protected borrower stock	3	7
Preferred stock	18,931	11,726
Capital stock	1,432	1,448
Unallocated retained earnings	167,306	156,059
Accumulated other comprehensive income/(loss)	130	158
Total shareholders' equity	187,802	169,398
Total liabilities and shareholders' equity	\$ 739,468	\$ 780,836

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

Consolidated Statement of Operations

UNAUDITED	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
(Dollars in Thousands)				
INTEREST INCOME				
Loans	\$ 9,135	\$ 9,653	\$ 27,896	\$ 29,129
Total interest income	9,135	9,653	27,896	29,129
INTEREST EXPENSE				
Note payable to U.S. AgBank, FCB	4,100	4,900	12,575	14,930
Total interest expense	4,100	4,900	12,575	14,930
Net interest income	5,035	4,753	15,321	14,199
Provision for loan losses	670	991	2,159	1,498
Net interest income after provision for loan losses	4,365	3,762	13,162	12,701
NONINTEREST INCOME				
Financially related services income	42	36	111	94
Loan fees	77	176	330	433
Patronage refund from Farm Credit Institutions	-	-	3,912	1,169
Farm Credit Insurance Fund distribution	-	-	-	775
Other noninterest income	339	7	388	56
Total noninterest income	458	219	4,741	2,527
NONINTEREST EXPENSE				
Salaries and employee benefits	1,341	1,331	3,945	3,971
Occupancy and equipment	97	110	295	310
Purchased services from AgVantis, Inc.	167	179	576	546
Losses on other property owned, net	-	-	3	52
Farm Credit Insurance Fund premium	88	87	287	248
Supervisory and examination costs	71	70	211	203
Other noninterest expense	416	381	1,203	1,049
Total noninterest expense	2,180	2,158	6,520	6,379
Income before income taxes	2,643	1,823	11,383	8,849
Provision for income taxes	-	43	4	43
Net income	\$ 2,643	\$ 1,780	\$ 11,379	\$ 8,806

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Protected Borrower Stock	Preferred Stock	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2009	\$ 12	\$ 10,414	\$ 1,486	\$ 148,173	\$ (110)	\$ 159,975
Comprehensive income						
Net income				8,806		
Change in retirement obligation					15	
Total comprehensive income						8,821
Stock issued	-	33,495	335			33,830
Stock retired	-	(31,109)	(364)			(31,473)
Stock dividends declared		87		(87)		-
Balance at September 30, 2010	\$ 12	\$ 12,887	\$ 1,457	\$ 156,892	\$ (95)	\$ 171,153
Balance at December 31, 2010	\$ 7	\$ 11,726	\$ 1,448	\$ 156,059	\$ 158	\$ 169,398
Comprehensive income						
Net income				11,379		
Change in retirement obligation					(28)	
Total comprehensive income						11,351
Stock issued	-	56,216	310			56,526
Stock retired	(4)	(49,143)	(326)			(49,473)
Stock dividends declared and paid		132		(132)		-
Balance at September 30, 2011	\$ 3	\$ 18,931	\$ 1,432	\$ 167,306	\$ 130	\$ 187,802

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 Southern Colorado, 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 Southern Colorado, ACA'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. Certain amounts in the 2010 financial statements have been reclassified to conform to current financial statement presentation. Patronage income received from CoBank was previously included in other noninterest income but is now included in the patronage refund from Farm Credit Institutions. 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	\$ 3,706	\$ 3,401
Provision for loan losses	2,159	1,498
Charge-offs	1,694	1,225
Recoveries	81	35
Balance at end of period	\$ 4,252	\$ 3,709

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	\$ 1,327	\$ 4,520
Impaired loans with no related allowance	8,511	10,152
Total impaired loans	\$ 9,838	\$ 14,672
Allowance on impaired loans	\$ 893	\$ 1,412

The following table summarizes impaired loan information.

	For the nine months ended September 30, 2011	September 30, 2010
Average impaired loans	\$ 12,070	\$ 14,752
Interest income recognized on impaired loans	\$ 468	\$ 80

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
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefits trusts				
September 30, 2011	\$ 104	\$ —	\$ —	\$ 104
December 31, 2010	\$ 176	\$ —	\$ —	\$ 176

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	Total
	Level 1	Level 2	Level 3	Value	Losses
Assets:					
September 30, 2011					
Loans	\$ —	\$ —	\$ 530	\$ 530	\$ 785
Other property owned	\$ —	\$ —	\$ 1,928	\$ 1,928	\$ —
December 31, 2010					
Loans	\$ —	\$ —	\$ 3,385	\$ 3,385	\$ 1,539
Other property owned	\$ —	\$ —	\$ 1,928	\$ 1,928	\$ 1,190

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 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 process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. As a result, these fair value measurements fall within Level 3 of the hierarchy. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 4 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 4, 2011, which is the date the financial statements were available to be issued, and no material subsequent events were identified.