2012 Quarterly Report

TEXAS LAND BANK
FARM CREDIT

For the 1st Quarter Ended March 31, 2012

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this report, that it 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 his or her knowledge and belief.

Charles P. Gant
Chief Executive Officer/President
May 7, 2012

Barnett Baker

Barnett L. Baker
Chairman, Board of Directors
May 7, 2012

Sharla Chambers

Sharla Chambers
Chief Financial Officer
May 7, 2012

The following commentary reviews the financial performance of Texas Land Bank, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended March 31, 2012. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2011 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's Audit Committee.

LOAN PORTFOLIO:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses, primarily in the 16-county Central Texas trade area located in the I-35 Corridor between the metropolitan areas of Dallas/Fort Worth and Austin. The Association's total loan volume consists of long-term rural real estate mortgage loans, production and intermediate-term loans, farm-related business loans and rural home loans.

Total loans outstanding at March 31, 2012, including nonaccrual loans and sales contracts, were $468,431,230 compared to $465,896,604 at December 31, 2011, reflecting an increase of 0.5 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.5 percent at March 31, 2012, compared to 0.5 percent at December 31, 2011. The increase in volume is primarily related to real estate mortgage loans. While this area of Texas has experienced a decline in the number of land sales transactions, it has continued to experience relatively stable values in the past five years.

The primary commodity source for the Association's loan portfolio is livestock, excluding dairy and poultry. Cattle prices have been stable and are being aided by lower inventory numbers. However, grain prices have been trading above average historical ranges, and this has affected feed costs, negatively impacting livestock and poultry producers. Economists are predicting grain prices to continue trading at these higher levels throughout 2012 and could continue to be a concern for meat producers. Lower than normal cow herd numbers should, however, maintain a favorable supply/demand environment for ranchers as consumer demand for meat and meat products remains stable.

Local agricultural conditions in the 16-county area served by the Association were considered poor during much of 2011 due to exceptionally hot weather conditions and rainfall totals that were well below average, causing operators to not fully benefit from the positive markets due to below average yields. Pasture conditions were below average during the first half of the year and into early fall months. However, beneficial rains received in the fourth quarter of 2011 and first quarter of 2012 have improved operating conditions. Operators continue to be concerned about production cost volatility, particularly fuel, fertilizer, feed, chemical costs and growing conditions.

Although there are still lingering concerns about the global and national economies, the recovery process following the Great Recession, and the impact at the local level, the local economy generally continues to outperform the national economy and provide stability for off-farm income sources. The Association has significant monthly payment loan volume and loans to borrowers that are not dependent solely upon farm income for repayments. Thus, the Association does not experience large fluctuations due to seasonal characteristics.

RISK EXPOSURE:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	March 31, 2012		December 31, 2011	
	Amount	**%**	Amount	%
Nonaccrual	**$ 2,446,714**	**75.2%**	$ 2,481,342	73.8%
90 days past due and still accruing interest	**-**	**0.0%**	75,805	2.3%
Formally restructured	**457,988**	**14.1%**	459,885	13.7%
Other property owned, net	**347,430**	**10.7%**	347,430	10.3%
Total	**$ 3,252,132**	**100.0%**	$ 3,364,462	100.1%

Total high risk assets as of March 31, 2012, were $3,252,132, as compared to $3,364,462 as of December 31, 2011, which represented a 3.3 percent decrease, as a result of a pay-down of loans classified as nonaccrual and formally restructured.

Nonaccrual loans as a percentage of total loans outstanding were 0.5 percent at March 31, 2012, compared to 0.5 percent at December 31, 2011. Although there was a significant pay-down of one nonaccrual loan, the loan classified as 90 days past due and still accruing interest as of December 31, 2011, was moved to nonaccrual status during the first quarter of 2012, offsetting the reduction of the pay-down.

Formally restructured loans are comprised of a capital markets participation loan in the ethanol industry which was transferred back to accrual status during the second quarter of 2011 when warranted by improved performance and operating conditions. Although the loan was transferred back to accrual status and was a performing loan as of March 31, 2012, the conditions and structure of the loan mandated it being classified as formally restructured.

Other property owned remained unchanged as of March 31, 2012, as compared to December 31, 2011. The amount consisted of a capital markets participation loan in the ethanol industry that went into foreclosure whose collateral was acquired by the lender group in June 2010. The Association, along with all other participating lenders, received an equity position in the borrowing entity in exchange for concession of a portion of the debt. The equity was valued at $347,430, and an acquired property was recognized for this amount.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended March 31, 2012, and $51,304 in recoveries and $83,430 in charge-offs for the same period in 2011. The Association's allowance for loan losses was 0.2 percent and 0.2 percent of total loans outstanding as of March 31, 2012, and December 31, 2011, respectively. Management and the Association Audit Committee have reviewed the composition of the loan portfolio and feel that loans that could present a problem have been satisfactorily identified and adjustments have been appropriately made in order to ensure that the allowance for loan loss balance is adequate at this time.

The overall quality of the loan portfolio remained strong through the first quarter of 2012, with loans classified under Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" at 97.67 percent of total loans and accrued interest as of March 31, 2012.

RESULTS OF OPERATIONS:

Net Income
The Association had net income of $2,876,004 for the three months ended March 31, 2012, as compared to net income of $1,919,864 for the same period in 2011, reflecting an increase of 49.8 percent. The increase for the three months is related to higher net interest income, higher noninterest income related to the accrual of patronage income from the Bank and lower noninterest expenses as compared to the same period in 2011.

Net Interest Income
Net interest income was $3,626,422 for the three months ended March 31, 2012, compared to $3,387,050 for the same period in 2011. Interest income for the first three months of 2012 decreased by $95,312, or 1.6 percent, from the same period of 2011, primarily due to declines in yields on earning assets and an increase in average loan volume as average loan volume for the first quarter of 2012 was $465,473,117, compared to $438,477,961 in the first quarter of 2011. In spite of an increase in average loan volume, interest expense for the first three months of 2012 decreased by $334,684, or 12.1 percent, from the same period of 2011 due to a decrease in interest rates offset by an increase in average debt volume. The factors impacting interest income and interest expense produced an average spread on the loan portfolio for the first quarter of 2012 equal to 2.60 percent, compared to 2.50 percent in the first quarter of 2011.

Noninterest Income and Expense
Noninterest income was $427,345 for the three months ended March 31, 2012, compared to $184,399 for the same period in 2011. The increase is the result of the accrual of direct loan patronage from the Bank in the amount of $278,957 for the first quarter of 2012. The Association receives a patronage payment from the Bank every December based on the average daily balance of the Association's direct loan with the Bank during the year. The amount can fluctuate based on the financial performance of the Bank, but the amount has historically been at least 40 basis points. Through 2011, the full amount was included in income in the fourth quarter when received. During 2012, the Association began accruing the patronage quarterly at 30 basis points.

Noninterest expenses were $1,284,922 for the three months ended March 31, 2012, as compared to $1,530,296 for the same period in 2011. The net decrease was primarily the result of a decrease in salaries and benefits expenses. The defined benefit contribution decreased by $16,447 for the quarter ended March 31, 2012. In addition, the Association funded a nonqualified benefit trust in the amount of $200,000 during the first quarter of 2011. That transaction was a one-time expense, categorized as salaries and benefits, that was not incurred during 2012.

The Association continued with the utilization of the authoritative accounting guidance that was implemented in the fourth quarter of 2010 requiring the capitalization and amortization of loan origination fees and costs for loans closed, resulting in the capitalization of $149,801 in loan origination fees and $174,987 in salaries and benefits, which will be amortized over the life of the loans as an adjustment to yield in net interest income.

Financial and Performance Ratios
The Association's return on average assets for the three months ended March 31, 2012, was 2.42 percent compared to 1.72 percent for the same period in 2011. The Association's return on average equity for the three months ended March 31, 2012, was 11.67 percent, compared to 8.40 percent for the same period in 2011. These increases are a result of increased net income as discussed above.

LIQUIDITY AND FUNDING SOURCES:

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of Systemwide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	March 31, 2012	December 31, 2011
Note payable to the Bank	**$ 373,933,227**	$ 372,411,673
Accrued interest on note payable	**808,277**	881,422
Total	**$ 374,741,504**	$ 373,293,095

The Association experienced a 0.4 percent increase in notes and accrued interest payable to the Bank through the three months ended March 31, 2012, due to an increase in loan volume experienced by the Association since December 31, 2011.

CAPITAL RESOURCES:

The Association's capital position increased by $2,884,104 at March 31, 2012, compared to December 31, 2011. The Association's debt as a percentage of members' equity was 3.78:1 as of March 31, 2012, compared to 3.88:1 as of December 31, 2011.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at March 31, 2012, was 19.4 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at March 31, 2012, were 18.8 and 18.8 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS:

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Balance Sheet – Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance will not impact financial condition or results of operations, but will result in additional disclosures.

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, 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 nonpublic entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the District combined financial condition or results of operation.

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 provide 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 applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income.

In December 2011, the FASB issued guidance to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the statement. All other requirements in the guidance for comprehensive income are required to be adopted as set forth in the June 2011 guidance. The deferral is effective at the same time the new standard on comprehensive income is adopted.

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, as more fully outlined in the 2011 Annual Report to Shareholders. The amendments are to be applied prospectively.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the December 31, 2011 Annual Report of Texas Land Bank, ACA more fully describe the Association's relationship with the Bank.

The Texas Farm Credit District's (District) annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. Copies of the District's quarterly and annual stockholder reports also can be requested by e-mail at *fcb@farmcreditbank.com*. The District makes its annual and quarterly stockholder reports available on its website at *www.farmcreditbank.com.*

The Association's quarterly stockholder reports are also available free of charge, upon request 45 days after the close of the quarter. These reports can also be obtained by writing to Texas Land Bank, ACA, P. O. Box 20997, Waco, Texas 76702 or calling (254) 772-6905. Copies of the Association's quarterly and annual stockholder reports can also be requested by e-mailing *sharla.chambers@texaslandbank.com* or accessed on the Association's website at *www.texaslandbank.com.*

TEXAS LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash	$ 669,316	$ 415,313
Loans	468,431,230	465,896,604
Less: allowance for loan losses	946,763	1,053,922
Net loans	467,484,467	464,842,682
Accrued interest receivable	3,265,687	3,141,007
Investment in and receivable from the Bank:		
Capital stock	7,164,690	7,164,690
Other	278,957	-
Other property owned, net	347,430	347,430
Premises and equipment	1,384,619	1,356,907
Other assets	1,148,695	455,708
Total assets	$ 481,743,861	$ 477,723,737
LIABILITIES		
Note payable to the Bank	$ 373,933,227	$ 372,411,673
Accrued interest payable	808,277	881,422
Drafts outstanding	421,945	528,074
Patronage distributions payable	3,992,254	3,992,254
Other liabilities	1,898,627	2,104,887
Total liabilities	381,054,330	379,918,310
MEMBERS' EQUITY		
Capital stock and participation certificates	2,744,700	2,730,590
Allocated retained earnings	15,754,288	15,754,288
Unallocated retained earnings	82,320,408	79,444,404
Accumulated other comprehensive income (loss)	(129,865)	(123,855)
Total members' equity	100,689,531	97,805,427
Total liabilities and members' equity	$ 481,743,861	$ 477,723,737

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

TEXAS LAND BANK, ACA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended March 31, 2012	2011
INTEREST INCOME		
Loans	**$ 6,065,168**	$ 6,160,480
Total interest income	**6,065,168**	6,160,480
INTEREST EXPENSE		
Note payable to the Bank	**2,438,746**	2,773,430
Total interest expense	**2,438,746**	2,773,430
Net interest income	**3,626,422**	3,387,050
PROVISION FOR LOAN LOSSES	**(107,159)**	121,289
Net interest income after provision for loan losses	**3,733,581**	3,265,761
NONINTEREST INCOME		
Income from the Bank:		
Patronage income	**325,517**	55,521
Loan fees	**98,373**	101,872
Financially related services income	**3,155**	3,443
Other noninterest income	**300**	23,563
Total noninterest income	**427,345**	184,399
NONINTEREST EXPENSES		
Salaries and employee benefits	**768,596**	1,001,467
Directors' expense	**67,509**	57,732
Purchased services	**82,145**	122,709
Travel	**36,145**	35,900
Occupancy and equipment	**64,571**	66,149
Communications	**20,327**	25,949
Advertising	**66,417**	62,069
Public and member relations	**31,808**	23,072
Supervisory and exam expense	**44,179**	43,052
Insurance Fund premiums	**43,938**	49,972
Other noninterest expense	**59,287**	42,225
Total noninterest expenses	**1,284,922**	1,530,296
Income before income taxes	**2,876,004**	1,919,864
NET INCOME	**2,876,004**	1,919,864
Other comprehensive income:		
Change in postretirement benefit plans	**(6,010)**	(6,675)
Other comprehensive income, net of tax	**(6,010)**	(6,675)
COMPREHENSIVE INCOME	**$ 2,869,994**	$ 1,913,189

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

TEXAS LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2010	$ 2,664,165	$ -	$ 15,753,946	$ 73,356,064	$ (106,047)	$ 91,668,128
Net income	-	-	-	1,919,864	-	1,919,864
Other comprehensive income	-	-	-	-	(6,675)	(6,675)
Capital stock/participation certificates and allocated retained earnings issued	58,845	-	-	-	-	58,845
Capital stock/participation certificates and allocated retained earnings retired	(68,400)	-	-	-	-	(68,400)
Balance at March 31, 2011	$ 2,654,610	$ -	$ 15,753,946	$ 75,275,928	$ (112,722)	$ 93,571,762
Balance at December 31, 2011	$ 2,730,590	$ -	$ 15,754,288	$ 79,444,404	$ (123,855)	$ 97,805,427
Net income	-	-	-	2,876,004	-	2,876,004
Other comprehensive income	-	-	-	-	(6,010)	(6,010)
Capital stock/participation certificates and allocated retained earnings issued	103,655	-	-	-	-	103,655
Capital stock/participation certificates and allocated retained earnings retired	(89,545)	-	-	-	-	(89,545)
Balance at March 31, 2012	**$ 2,744,700**	**$ -**	**$ 15,754,288**	**$ 82,320,408**	**$ (129,865)**	**$ 100,689,531**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Texas Land Bank, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in the counties of Bell, Bosque, Burnet, Coryell, Dallas, Ellis, Falls, Freestone, Hamilton, Hill, Lampasas, Limestone, McLennan, Milam, Navarro and Williamson in the state of Texas. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The significant accounting policies followed and the financial condition and results of operations of the Association as of and for the year ended December 31, 2011, are contained in the 2011 Annual Report to Stockholders. These unaudited first-quarter 2012 financial statements should be read in conjunction with the 2011 Annual Report to Stockholders.

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Balance Sheet – Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance will not impact financial condition or results of operations, but will result in additional disclosures.

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, 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 nonpublic entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the District combined financial condition or results of operation.

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 provide 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:

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- 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 applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income.

In December 2011, the FASB issued guidance to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the statement. All other requirements in the guidance for comprehensive income are required to be adopted as set forth in the June 2011 guidance. The deferral is effective at the same time the new standard on comprehensive income is adopted.

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, as more fully outlined in the 2011 Annual Report to Shareholders. The amendments are to be applied prospectively.

The accompanying consolidated 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, except for the inclusion of a statement of cash flows. Generally accepted accounting principles require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, Associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements.

The consolidated financial statements comprise the operations of the ACA and its wholly owned subsidiaries. The preparation of these consolidated financial statements requires the use of management’s estimates. The results for the quarter ended March 31, 2012, are not necessarily indicative of the results to be expected for the year ended December 31, 2012. Certain amounts in the prior period’s financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans in the Association’s portfolio follows:

Loan Type	**March 31, 2012 Amount**	December 31, 2011 Amount
Production agriculture:		
Real estate mortgage	**$ 398,941,534**	$ 403,207,304
Production and intermediate term	**23,474,755**	20,705,844
Agribusiness:		
Loans to cooperatives	**1,459,016**	208,572
Processing and marketing	**17,433,539**	15,154,388
Farm-related business	**3,806,781**	3,767,207
Communication	**1,863,084**	2,037,827
Energy	**10,115,956**	9,534,144
Rural residential real estate	**11,336,565**	11,281,318
Total	**$ 468,431,230**	$ 465,896,604

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2012:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 13,497,145	$ 14,541,078	$ -	$ -	$ 13,497,145	$ 14,541,078
Production and intermediate term	6,098,063	2,468,960	-	-	6,098,063	2,468,960
Agribusiness	20,537,098	-	-	-	20,537,098	-
Communication	1,863,084	-	-	-	1,863,084	-
Energy	10,115,956	-	-	-	10,115,956	-
Total	$ 52,111,346	$ 17,010,038	$ -	$ -	$ 52,111,346	$ 17,010,038

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

	March 31, 2012	December 31, 2011
Nonaccrual loans:		
Real estate mortgage	**$ 2,446,714**	$ 2,481,342
Total nonaccrual loans	**2,446,714**	2,481,342
Accruing restructured loans:		
Real estate mortgage	**457,988**	459,885
Total accruing restructured loans	**457,988**	459,885
Accruing loans 90 days or more past due:		
Real estate mortgage	**-**	75,805
Total accruing loans 90 days or more	**-**	75,805
Total nonperforming loans	**2,904,702**	3,017,032
Other property owned	**347,430**	347,430
Total nonperforming assets	**$ 3,252,132**	3,364,462

Total high risk assets as of March 31, 2012, were $3,252,132, as compared to $3,364,462 as of December 31, 2011, which represented a 3.3 percent decrease, as a result of a pay-down of loans classified as nonaccrual and formally restructured.

Nonaccrual loans as a percentage of total loans outstanding were 0.5 percent at March 31, 2012, compared to 0.5 percent at December 31, 2011. Although there was a significant pay-down of one nonaccrual loan, the loan classified as 90 days past due and still accruing interest as of December 31, 2011, was moved to nonaccrual status during the first quarter of 2012, offsetting the reduction of the pay-down.

Formally restructured loans are comprised of a capital markets participation loan in the ethanol industry which was transferred back to accrual status during the second quarter of 2011 when warranted by improved performance and operating conditions. Although the loan was transferred back to accrual status and was a performing loan as of March 31, 2012, the conditions and structure of the loan mandated it being classified as formally restructured.

Other property owned remained unchanged as of March 31, 2012, as compared to December 31, 2011. The amount consisted of a capital markets participation loan in the ethanol industry that went into foreclosure whose collateral was acquired by the lender group in June 2010. The Association, along with all other participating lenders, received an equity position in the borrowing entity in exchange for concession of a portion of the debt. The equity was valued at $347,430, and an acquired property was recognized for this amount.

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2012	December 31, 2011
Real estate mortgage		
Acceptable	**95.3** %	94.8 %
OAEM	**2.8**	3.2
Substandard/doubtful	**1.9**	2.0
	100.0	100.0
Production and intermediate term		
Acceptable	**76.1**	71.4
OAEM	**23.1**	27.6
Substandard/doubtful	**0.8**	1.0
	100.0	100.0
Agribusiness		
Acceptable	**86.1**	82.4
OAEM	**5.4**	7.4
Substandard/doubtful	**8.5**	10.2
	100.0	100.0
Energy and water/waste disposal		
Acceptable	**60.8**	74.0
OAEM	**26.6**	12.4
Substandard/doubtful	**12.6**	13.6
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.3**	98.7
OAEM	**-**	0.3
Substandard/doubtful	**0.7**	1.0
	100.0	100.0
Total loans		
Acceptable	**93.4**	**92.9**
OAEM	**4.3**	**4.6**
Substandard/doubtful	**2.3**	**2.5**
	100.0 %	**100.0** %

The following tables provide an age analysis of past due loans (including accrued interest) as of:

March 31, 2012	**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	**$ 179,573**	**$ 75,805**	**$ 255,378**	**$ 401,692,392**	**$ 401,947,770**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**23,627,540**	**23,627,540**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,461,192**	**1,461,192**	**-**
Processing and marketing	**-**	**-**	**-**	**17,448,724**	**17,448,724**	**-**
Farm-related business	**-**	**-**	**-**	**3,818,793**	**3,818,793**	**-**
Communication	**-**	**-**	**-**	**1,876,103**	**1,876,103**	**-**
Energy	**-**	**-**	**-**	**10,127,146**	**10,127,146**	**-**
Rural residential real estate	**55,628**	**-**	**55,628**	**11,334,021**	**11,389,649**	**-**
Total	**$ 235,201**	**$ 75,805**	**$ 311,006**	**$ 471,385,911**	**$ 471,696,917**	**$ -**

December 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	$ 142,622	$ 75,805	$ 218,427	$ 405,931,700	$ 406,150,127	$ 75,805
Production and intermediate term	-	-	-	20,819,406	20,819,406	-
Loans to cooperatives	-	-	-	209,190	209,190	-
Processing and marketing	-	-	-	15,170,533	15,170,533	-
Farm-related business	-	-	-	3,772,051	3,772,051	-
Communication	-	-	-	2,051,486	2,051,486	-
Energy	-	-	-	9,544,338	9,544,338	-
Rural residential real estate	122,912	-	122,912	11,197,568	11,320,480	-
Total	$ 265,534	$ 75,805	$ 341,339	$ 468,696,272	$ 469,037,611	$ 75,805

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs and may also reflect a previous direct write-down of the investment.

A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of March 31, 2012, the total recorded investment of troubled debt restructured loans was $810,629, including $352,641 classified as nonaccrual and $457,988 classified as accrual, with specific allowance for loan losses of $169,032 on the nonaccrual loan. During the quarter ended March 31, 2012, there were no restructured loans designated as troubled debt restructurings. All troubled debt restructured loans in the portfolio were restructured prior to January 1, 2012. Allowance for loan loss for troubled debt restructurings with a probability of default of 11 or less are included in the general allowance pool. Those with a probability of default of 12 or greater are calculated on a specific allowance basis. As of March 31, 2012 commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $0.

During the period there were no payment defaults on loans that were restructured during the previous 12 months. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Additional impaired loan information is as follows:

	At March 31, 2012			At December 31, 2011		
	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	$ 1,477,873	$ 1,490,691	$282,979	$ 2,325,274	$ 2,338,042	$ 377,649
Total	$ 1,477,873	$ 1,490,691	$282,979	$ 2,325,274	$ 2,338,042	$ 377,649
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 1,426,829	$ 1,427,640	$ -	$ 690,281	$ 690,464	$ -
Total	$ 1,426,829	$ 1,427,640	$ -	$ 690,281	$ 690,464	$ -
Total impaired loans:						
Real estate mortgage	$ 2,904,702	$ 2,918,331	$282,979	$ 3,015,555	$ 3,028,506	$ 377,649
	$ 2,904,702	$ 2,918,331	$282,979	$ 3,015,555	$ 3,028,506	$ 377,649

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Quarter Ended March 31, 2012		For the Year Ended December 31, 2011	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	$ 1,483,336	$ 1,427	$ 256,963	$ 22,838
Total	$ 1,483,336	$ 1,427	$ 256,963	$ 22,838
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ 1,338,212	$ 4,456	$ 727,039	$ 34,753
Total	$ 1,338,212	$ 4,456	$ 727,039	$ 34,753
Total impaired loans:				
Real estate mortgage	$ 2,821,548	$ 5,883	$ 984,002	$ 57,591
	$ 2,821,548	$ 5,883	$ 984,002	$ 57,591

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	Total
Allowance for Credit Losses:							
Balance at December 31, 2011	$ 690,826	$ 35,910	$ 189,954	$ 6,694	$ 118,704	$ 11,834	$ 1,053,922
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	(124,564)	(1,160)	3,684	8,173	6,252	456	(107,159)
Adjustment due to merger	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at March 31, 2012	$ 566,262	$ 34,750	$ 193,638	$ 14,867	$ 124,956	$ 12,290	$ 946,763
Ending Balance at March 31, 2012:							
Individually evaluated for impairment	$ 282,979	$ -	$ -	$ -	$ -	$ -	$ 282,979
Collectively evaluated for impairment	$ 283,283	$ 34,750	$ 193,638	$ 14,867	$ 124,956	$ 12,290	$ 663,784
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Balance at December 31, 2010	$ 421,809	$ 40,505	$ 313,882	$ 30,527	$ 21,586	$ 14,659	$ 842,968
Charge-offs	(83,430)	-	-	-	-	-	(83,430)
Recoveries	-	-	-	-	51,304	-	51,304
Provision for loan losses	183,278	295	(9,788)	(756)	(50,924)	(816)	121,289
Adjustment due to merger	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at March 31, 2011	$ 521,657	$ 40,800	$ 304,094	$ 29,771	$ 21,966	$ 13,843	$ 932,131
Ending Balance at March 31, 2011:							
Individually evaluated for impairment	$ 131,976	$ -	$ -	$ -	$ -	$ -	$ 131,976
Collectively evaluated for impairment	$ 389,681	$ 40,800	$ 304,094	$ 29,771	$ 21,966	$ 13,843	$ 800,155
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investments in Loans Outstanding:							
Ending Balance at March 31, 2012	$ 398,681,972	$ 23,627,540	$ 22,728,709	$ 1,876,103	$ 10,127,258	$ 11,389,648	$ 468,431,230
Individually evaluated for impairment	$ 2,904,702	$ -	$ -	$ -	$ -	$ -	$ 2,904,702
Collectively evaluated for impairment	$ 395,777,270	$ 23,627,540	$ 22,728,709	$ 1,876,103	$ 10,127,258	$ 11,389,648	$ 465,526,528
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance at March 31, 2011	$ 375,978,560	$ 20,929,346	$ 13,141,206	$ 4,473,502	$ 10,973,922	$ 11,095,947	$ 436,592,483
Individually evaluated for impairment	$ 2,897,291	$ -	$ -	$ -	$ -	$ -	$ 2,897,291
Collectively evaluated for impairment	$ 373,081,269	$ 20,929,346	$ 13,141,206	$ 4,473,502	$ 10,973,922	$ 11,095,947	$ 433,695,192
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 3 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedure and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

NOTE 4 — INCOME TAXES:

Texas Land Bank, ACA and its subsidiary are subject to federal and certain other income taxes. The associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During the three months ended March 31, 2012, the Association participated in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. For the three months ended March 31, 2012, and 2011 net income for tax purposes did not warrant the recognition of tax expense due to the implemented patronage program.

The subsidiary, Texas Land Bank, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

Upon adoption of ASC 740-10-50-15 (FIN 48) on January 1, 2007, the Association did not recognize a tax liability for any unrecognized tax benefits. Since that time, there have not been any changes in tax positions.

NOTE 5 — 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 the principal or most advantageous market for the asset or liability. See Note 2 to the 2011 Annual Report to Stockholders for a more complete description.

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

March 31, 2012	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Investments available-for-sale *	**$ -**	**$ -**	**$ -**	**$ -**
Assets held in nonqualified benefit trusts	**200,815**	**-**	**-**	**200,815**
Total assets	**200,815**	**-**	**-**	**200,815**
Liabilities:				
Standby letters of credit	**-**	**-**	**-**	**-**
Total liabilities	**$ -**	**$ -**	**$ -**	**$ -**

December 31, 2011	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Investments available-for-sale *	$ -	$ -	$ -	$ -
Assets held in nonqualified benefit trusts	200,811	-	-	200,811
Total assets	200,811	-	-	200,811
Liabilities:				
Standby letters of credit	-	-	-	-
Total liabilities	$ -	$ -	$ -	$ -

The table below presents significant transfers in and out of Level 1 during the three months ended March 31, 2012, for all assets measured at fair value on a recurring basis:

	Total Fair Value Measurement Level 1 Assets	
	Assets Held in Nonqualified Benefits Trusts	
Transfers into Level 1	$	200,815.00
Transfers out of Level 1		-

During 2010, the Board of Directors approved the creation of a nonqualified benefit trust to become effective on January 1, 2011, that was funded during the first quarter of 2011. The amount funded into the trust, in addition to the gains in asset value, comprise the total fair market value of $200,815 and the only Level 1 asset held by the Association as of March 31, 2012.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

March 31, 2012	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$1,194,894**	**$1,194,894**
Other property owned	**-**	**-**	**347,430**	**347,430**

December 31, 2011	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 996,551	$ 996,551
Other property owned	-	-	347,430	347,430

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 2 to the 2011 Annual Report to Stockholders, authoritative 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 Association's assets and liabilities. For a more complete description, see Notes to the 2011 Annual Report to Stockholders.

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.

Loans
For certain loans evaluated for impairment under authoritative 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 fair value is based upon the collateral value, which is generally determined using appraisals or other indications based on comparable sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	Other Benefits	
	2012	2011
Service cost	**$ 7,246**	$ 8,378
Interest cost	**17,216**	18,537
Amortization of prior service (credits) costs	**(10,970)**	(12,493)
Amortizations of net actuarial (gain) loss	**4,960**	5,818
Net periodic benefit cost	**$ 18,452**	$ 20,240

The Association's liability for the plan's unfunded accumulated obligation at March 31, 2012, was $1,380,995 and is included in "Other Liabilities" in the balance sheet

The structure of the District's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. As of March 31, 2012, $664,008 of contributions have been made. The Association does not anticipate contributing any additional money to the plan in 2012.

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2012	2011
Accumulated other comprehensive income (loss) at January 1	**$ (123,855)**	$ (106,047)
Amortization of prior service credit (costs) included in net periodic postretirement benefit cost	**(10,970)**	(12,493)
Amortization of actuarial gain (loss) included in net periodic postretirement benefit cost	**4,960**	5,818
Other comprehensive income (loss), net of tax	**(6,010)**	(6,675)
Accumulated other comprehensive income at March 31	**$ (129,865)**	$ (112,722)

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 7, 2012, which is the date the financial statements were issued. As of May 7, 2012, there were no significant events requiring disclosure in the first quarter stockholder report.