Farm Credit of Northwest Florida, ACA

SECOND QUARTER 2013

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2013 quarterly report of Farm Credit of Northwest Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Ricky K. Bitner
Chief Executive Officer

Bruce C. Harrison
Chief Financial Officer

Richard Terry
Chairman of the Board

August 7, 2013

Farm Credit of Northwest Florida, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of June 30, 2013. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of June 30, 2013, the internal control over financial reporting was effective based upon the COSO (1992) criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of June 30, 2013.

Ricky K. Bitner

Ricky Bitner
Chief Executive Officer

Bruce C. Harrison

Bruce C. Harrison
Chief Financial Officer

August 7, 2013

Farm Credit of Northwest Florida, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Northwest Florida, ACA (Association) for the period ending June 30, 2013. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2012 Annual Report of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including forestry, row crops, livestock, peanuts, horticulture, dairies and rural homes. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of June 30, 2013, was $273,244 a decrease of $204 as compared to $273,448 at December 31, 2012. Net loans outstanding, gross loans net of the allowance for loan losses, at June 30, 2013, were $268,235 as compared to $268,899 at December 31, 2012. Net loans accounted for 93.25 percent of total assets at June 30, 2013, as compared to 92.00 percent of total assets at December 31, 2012. The reduction in loan volume was due to normal principal payments, several large payoffs and movements of loans to other property owned, offset by modest new loan activity.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has deteriorated due to poor credit administration under previous management and a downturn in the overall economic environment. Nonaccrual loans were $18,228, a decrease of $2,221 from $20,449 at December 31, 2012.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions.

The allowance for loan losses at June 30, 2013 was $5,009 as compared to $4,549 at December 31, 2012, an increase of $460. This increase was primarily due to charge-offs against the allowance for loan losses of $679 and reversals of $350 offset by recoveries of $1,489.

The allowance for loan loss of $5,009 at June 30, 2013 was considered by management to be adequate to cover probable losses. The allowance for loan losses of $5,009 represents 1.8 percent of the loan balances as of June 30, 2013. Other property owned was $8,777 as of June 30, 2013 as compared to $10,105 at December 31, 2012. This net decrease of $1,328 was due to acquisitions of $528, write-downs of $362 and sales of $1,494.

Amounts due from AgFirst Farm Credit Bank (the bank) decreased to $993 as of June 30, 2013 as compared to $2,907 as of December 31, 2012. These amounts represent patronage due from AgFirst at both June 30, 2013 and December 31, 2012. The decrease of $1,914 is primarily due to the fact that the amount due at June 30, 2013 was for two quarters and the amount due at December 31, 2012 was for four quarters, along with the fact that the December amount included a receivable of $692 as a special distribution whereas the June balance included a special distribution of $148.

RESULTS OF OPERATIONS

For the three months ending June 30, 2013

Net income for the three months ending June 30, 2013, totaled $723, as compared to net income of $1,296 for the same period in 2012, a decrease in income of $573. Components of the decrease in net income are discussed further in the following paragraphs.

For the three months ending June 30, 2013, interest income decreased by $664 or 17.10 percent compared to the same period ending June 30, 2012. For the three months ending June 30, 2013 interest expense decreased by $426 or 26.84 percent, compared to the period ending June 30, 2012. These decreases resulted in a decrease in net interest income of $238, compared to the period ending June 30, 2012.

There was no provision or reversal of loan losses for the three months ending June 30, 2012.

Noninterest income for the three months ending June 30, 2013 totaled $423, as compared to $643 for the same period of 2012, a decrease in income of $220. This decrease in noninterest income was primarily due to a decrease in patronage from the Bank of $114 and a decrease in insurance refunds of $449, partially offset by an increase in fee income of $11 and a decrease in losses on the sale of OPO and expenses related to OPO of $333.

Noninterest expense for the three months ending June 30, 2013 totaled $1,758, as compared to $1,643 for the same period of 2012, an increase of $115. This increase was primarily due to a decrease in salaries and benefits of $32, an increase in insurance fund premiums of $17, an increase in occupancy and equipment of $7 and an increase in other expenses of $123.

For the six months ending June 30, 2013

Net income for the six months ending June 30, 2013, totaled $1,743 as compared to net income of $2,579 for the same period in 2012, a decrease in net income of $836.

For the six months ending June 30, 2013, interest income decreased by $1,518 or 19.39 percent compared to the same period ending June 30, 2012. For the six months ending June 30, 2013 interest expense decreased by $1,021 or 30.32 percent, compared to the period ending June 30, 2012. These decreases resulted in a decrease in net interest income of $497, compared to the period ending June 30, 2012. The net decrease of $497 was due to a decrease of $304 related to interest rates and a decrease of $193 related to volume.

There was a reversal of loan losses of $350 for the six months ending June 30, 2013 as compared to no provision or reversal to the period ending June 30, 2012.

Noninterest income for the six months ending June 30, 2013, totaled $818, as compared to $1,336 for the same period of 2012, a decrease in income of $518. This decrease in noninterest income was primarily due to a decrease in patronage from the Bank of $398, a decrease in insurance refunds of $449 and a decrease in fee income of $14, partially offset by a decrease in losses on the sale of OPO and expenses related to OPO of $337.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at June 30, 2013 was $205,208 as compared to $210,507 at December 31, 2012. The reduction in notes payable to the Bank was due to normal principal payments on the direct note, several large payoffs, offset by modest increases in the direct note due to new loan activity.

CAPITAL RESOURCES

Total members' equity at June 30, 2013 increased $344 to $78,157 from the December 31, 2012 total of $77,813. Total capital stock and participation certificates were $818 as of June 30, 2013, a decrease of $83 compared to $901 at December 31, 2012.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of June 30, 2013 the Association's total surplus ratio and core surplus ratio were 25.93 percent and 24.93 percent, respectively, and the permanent capital ratio was 26.24 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

On April 20, 2011 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The previous written supervisory agreement between the FCA and the Association, dated April 6, 2010, was terminated by the April 20, 2011 agreement. The written supervisory agreement dated April 20, 2011 requires the Association to take corrective actions and other actions with respect to certain areas of its operations, including board operations, director fiduciary duties, board consultant functions, nominating committee assistance, strategic and business planning, staffing, internal controls, asset quality, loan portfolio management, allowance for loan loss, collateral risk, capital, earnings and liquidity.

Conditions and events that led to the need for this agreement include rapid growth between 2003-2007, deterioration of loan quality, liberal loan structures, lack of oversight to credit policies and procedures, lack of sufficient staff training, high staff turn-over and lack of diversification in the portfolio (concentration in real estate lending).

The Association has taken action to correct weaknesses in its board operations, strategic planning, staffing, internal controls, asset quality, loan portfolio management, portfolio risk, capital, earnings and liquidity; however, all necessary improvements had not been realized as of April 20, 2011.

The board will continue to address the requirements of the agreement dated April 20, 2011 by establishing a collateral risk program, conducting an assessment of board and staff training needs and providing the necessary training, and by establishing improved credit policy direction and guidance.

The written supervisory agreement dated April 20, 2011 requires the Board to continue to engage an Independent Board Consultant to advise and counsel the Board in fulfilling its fiduciary responsibilities and to perform other functions as specified in the agreement.

The Association's supervisory agreement with the FCA requires that all new loans must be of Acceptable quality at origination under the Uniform Classification System. However, the agreement provides that the Institution may extend or renew loans of less than acceptable quality to existing customers if such extensions or renewals are done in accordance with sound and documented risk management strategies.

FCA examiners were on site the week of January 7, 2013 to determine the Association's performance and condition based on the FCA's ongoing oversight and risk-based examination activities. The Association has made progress in complying with the written supervisory agreement. However, the Association remains under supervision as of the date of this report.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2012 Annual Report to Shareholders for recently issued accounting pronouncements.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 850-526-4910 ext. 103, or writing Bruce C. Harrison, Chief Financial Officer, Farm Credit of Northwest Florida, ACA, P.O. Box 7000, Marianna, FL 32447, or accessing the website, *www.farmcredit-fl.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Northwest Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	June 30, 2013	December 31, 2012
	(unaudited)	(audited)
Assets		
Cash	$ —	$ 40
Loans	273,244	273,448
Less: allowance for loan losses	5,009	4,549
Net loans	268,235	268,899
Loans held for sale	—	273
Accrued interest receivable	1,603	1,985
Investments in other Farm Credit institutions	4,920	5,017
Premises and equipment, net	1,300	1,233
Other property owned	8,777	10,105
Due from AgFirst Farm Credit Bank	993	2,907
Other assets	1,831	1,824
Total assets	$ 287,659	$ 292,283
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 205,208	$ 210,507
Accrued interest payable	388	437
Patronage refunds payable	41	1,281
Allocated surplus payable	1,260	—
Other liabilities	2,605	2,245
Total liabilities	209,502	214,470
Commitments and contingencies		
Members' Equity		
Protected borrower stock	3	4
Capital stock and participation certificates	815	897
Retained earnings		
Allocated	56,286	51,622
Unallocated	21,053	25,290
Total members' equity	78,157	77,813
Total liabilities and members' equity	$ 287,659	$ 292,283

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Interest Income				
Loans	$ 3,219	$ 3,883	$ 6,309	$ 7,827
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	1,161	1,587	2,346	3,367
Net interest income	2,058	2,296	3,963	4,460
Provision for (reversal of allowance for) loan losses	—	—	(350)	—
Net interest income after provision for (reversal of allowance for) loan losses	2,058	2,296	4,313	4,460
Noninterest Income				
Loan fees	44	33	83	97
Patronage refunds from other Farm Credit institutions	664	778	1,128	1,526
Gains (losses) on other property owned, net	(288)	(621)	(403)	(740)
Gains (losses) on sales of rural home loans, net	3	—	10	—
Gains (losses) on sales of premises and equipment, net	—	4	—	4
Insurance Fund refunds	—	449	—	449
Total noninterest income	423	643	818	1,336
Noninterest Expense				
Salaries and employee benefits	1,121	1,153	2,216	2,262
Occupancy and equipment	86	79	174	148
Insurance Fund premiums	55	38	109	78
Other operating expenses	496	373	889	729
Total noninterest expense	1,758	1,643	3,388	3,217
Net income	723	1,296	1,743	2,579
Other comprehensive income	—	—	—	—
Comprehensive income	$ 723	$ 1,296	$ 1,743	$ 2,579

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2011	$ 5	$ 941	$ 51,831	$ 19,220	$ 71,997
Comprehensive income				2,579	2,579
Protected borrower stock retired	(1)				(1)
Capital stock/participation certificates issued/(retired), net		(68)			(68)
Retained earnings retired			(158)		(158)
Balance at June 30, 2012	$ 4	$ 873	$ 51,673	$ 21,799	$ 74,349
Balance at December 31, 2012	$ 4	$ 897	$ 51,622	$ 25,290	$ 77,813
Comprehensive income				1,743	1,743
Protected borrower stock retired	(1)				(1)
Capital stock/participation certificates issued/(retired), net		(82)			(82)
Patronage distribution					
Nonqualified allocated retained earnings			5,980	(5,980)	—
Retained earnings retired			(1,316)		(1,316)
Balance at June 30, 2013	$ 3	$ 815	$ 56,286	$ 21,053	$ 78,157

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

Farm Credit of Northwest Florida, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

NOTE 1 – ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The accompanying financial statements include the accounts of Farm Credit of Northwest Florida, ACA (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2012, are contained in the 2012 Annual Report to Shareholders. These unaudited second quarter 2013 consolidated financial statements should be read in conjunction with the 2012 Annual Report to Shareholders.

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 (GAAP) and prevailing practices within the banking industry. The results for the six months ended June 30, 2013, are not necessarily indicative of the results to be expected for the year ending December 31, 2013.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's consolidated financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of June 30, 2013, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

In February 2013 the FASB issued Accounting Standards Update (ASU) 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date," which addresses the recognition, measurement and disclosure of certain obligations including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The amendments are to be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update's scope that exist at the beginning of an entity's fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in the Update) and should disclose that fact. The amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2014, and interim periods and annual periods thereafter. Early application is permitted. It is not anticipated the adoption of this guidance will have a material impact on the Association's financial condition or results of operations but will result in additional disclosures.

In February 2013 the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The update is intended to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The amendments do not change the requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early application is permitted.

In January 2013, the FASB issued ASU 2013-01 "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The Update clarifies that ordinary trade receivables and payables are not in the scope of ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria or subject to a master netting arrangement or similar agreement. The effective date is the same as that for ASU 2011-11 below.

In December 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210) - 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 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, in conjunction with ASU 2013-01 above, will not impact the Association's financial condition or its results of operations, but will result in additional disclosures.

Other recently issued accounting pronouncements are discussed in the 2012 Annual Report to Shareholders.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans outstanding at period end were as follows:

	June 30, 2013	December 31, 2012
Real estate mortgage	$ 176,521	$ 181,224
Production and intermediate-term	82,446	83,517
Agribusiness		
Loans to cooperatives	13	–
Processing and marketing	9,286	3,022
Farm-related business	86	974
Total agribusiness	9,385	3,996
Communication	1,419	1,456
Rural residential real estate	3,473	3,255
Total Loans	$ 273,244	$ 273,448

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. Participation loan balances at period end were as follows:

June 30, 2013	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ –	$ 55,372	$ –	$ 3,812	$ 255	$ –	$ 255	$ 59,184
Production and intermediate-term	–	12,965	–	–	3,000	2,268	3,000	15,233
Agribusiness								
Processing and marketing	8,732	–	–	–	–	–	8,732	–
Farm-related Business	–	–	–	–	–	–	–	–
Total agribusiness	8,732	–	–	–	–	–	8,732	–
Communication	1,418	–	–	–	–	–	1,418	–
Total	$ 10,150	$ 68,337	$ –	$ 3,812	$ 3,255	$ 2,268	$ 13,405	$ 74,417

December 31, 2012	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ –	$ 54,271	$ –	$ 4,159	$ 259	$ –	$ 259	$ 58,430
Production and intermediate-term	2,500	14,137	–	–	3,001	2,352	5,501	16,489
Agribusiness								
Processing and marketing	2,486	–	–	–	–	–	2,486	–
Farm-related business	864	–	–	–	–	–	864	–
Total agribusiness	3,350	–	–	–	–	–	3,350	–
Communication	1,456	–	–	–	–	–	1,456	–
Total	$ 7,306	$ 68,408	$ –	$ 4,159	$ 3,260	$ 2,352	$ 10,566	$ 74,919

A significant source of liquidity for the Association is the repayments and maturities of loans. The following table presents the contractual maturity distribution of loans by loan type at June 30, 2013 and indicates that approximately 15.12 percent of loans had maturities of less than one year:

	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 5,255	$ 60,412	$ 110,854	$ 176,521
Production and intermediate-term	27,252	45,080	10,114	82,446
Agribusiness				
Loans to cooperatives	–	13	–	13
Processing and marketing	6,922	1,554	810	9,286
Farm-related business	–	(3)	89	86
Total agribusiness	6,922	1,564	899	9,385
Communication	1,419	–	–	1,419
Rural residential real estate	477	1,261	1,735	3,473
Total Loans	$ 41,325	$ 108,317	$ 123,602	$ 273,244

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type.

	June 30, 2013	December 31, 2012
Real estate mortgage:		
Acceptable	84.44%	82.14%
OAEM	5.52	8.70
Substandard/doubtful/loss	10.04	9.16
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	57.52%	55.72%
OAEM	4.26	8.36
Substandard/doubtful/loss	38.22	35.92
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	–%	–%
OAEM	100.00	–
Substandard/doubtful/loss	–	–
	100.00%	–%
Processing and marketing:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	June 30, 2013	December 31, 2012
Total agribusiness:		
Acceptable	99.97%	100.00%
OAEM	0.03	–
Substandard/doubtful/los	–	–
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	73.32%	77.26%
OAEM	2.69	–
Substandard/doubtful/loss	23.99	22.74
	100.00%	100.00%
Total Loans:		
Acceptable	76.80%	74.38%
OAEM	4.89	8.32
Substandard/doubtful/loss	18.31	17.30
	100.00%	100.00%

The following tables provide an aging analysis of past due loans and related accrued interest.

	June 30, 2013					
	30 Through 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 or More Past Due and Accruing Interest
Real estate mortgage	$ 267	$ 2,965	$ 3,232	$ 174,452	$ 177,683	$ –
Production and intermediate-term	362	7,452	7,814	75,027	82,841	–
Agribusiness						
Loans to cooperatives	13	–	13	–	13	–
Processing and marketing	–	(10)	(10)	9,329	9,319	–
Farm-related business	–	–	–	87	87	–
Total agribusiness	13	(10)	3	9,416	9,419	–
Communication	–	–	–	1,419	1,419	–
Rural residential real estate	42	553	595	2,890	3,485	–
Total	$ 684	$ 10,960	$ 11,644	$ 263,204	$ 274,847	$ –

	December 31, 2012					
	30 Through 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 or More Past Due and Accruing Interest
Real estate mortgage	$ 1,167	$ 3,859	$ 5,026	$ 177,691	$ 182,717	$ –
Production and intermediate-term	4,555	11,521	16,076	67,917	83,993	–
Agribusiness						
Processing and marketing	–	(10)	(10)	3,037	3,027	–
Farm-related business	–	–	–	978	978	–
Total agribusiness	–	(10)	(10)	4,015	4,005	–
Communication	–	–	–	1,457	1,457	–
Rural residential real estate	21	105	126	3,135	3,261	–
Total	$ 5,743	$ 15,475	$ 21,218	$ 254,215	$ 275,433	$ –

The recorded investment in a 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.

Nonperforming assets (including related accrued interest) and related credit quality statistics at period end were as follows:

	June 30, 2013	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	$ 4,419	$ 4,040
Production and intermediate-term	13,241	16,426
Agribusiness		
Processing and marketing	(10)	(10)
Farm-related business	–	–
Total agribusiness	(10)	(10)
Rural residential real estate	578	(7)
Total nonaccrual loans	$ 18,228	$ 20,449
Accruing restructured loans:		
Real estate mortgage	$ 392	$ –
Production and intermediate-term	2,267	206
Agribusiness		
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	476
Total accruing restructured loans	$ 2,659	$ 682
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	–	–
Agribusiness		
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 20,887	$ 21,131
Other property owned	8,777	10,105
Total nonperforming assets	$ 29,664	$ 31,236
Nonaccrual loans as a percentage of total loans	6.67%	7.48%
Nonperforming assets as a percentage of total loans and other property owned	10.52%	11.02%
Nonperforming assets as a percentage of capital	37.95%	40.14%

The following table presents information relating to impaired loans (including accrued interest) at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	June 30, 2013	December 31, 2012
Impaired nonaccrual loans:		
Current as to principal and interest	$ 7,087	$ 4,974
Past due	11,141	15,475
Total impaired nonaccrual loans	18,228	20,449
Impaired accrual loans:		
Restructured	2,659	682
90 days or more past due	–	–
Total impaired accrual loans	2,659	682
Total impaired loans	$ 20,887	$ 21,131

The following tables present additional information concerning impaired loans and related allowance by loan type at period end.

	June 30, 2013			Quarter Ended June 30, 2013		Six Months Ended June 30, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	$ 3,551	$ 3,667	$ 427	$ 3,652	$ 33	$ 3,686	$ 42
Production and intermediate-term	5,385	6,959	807	5,539	50	5,589	64
Agribusiness							
Processing and marketing	–	–	–	–	–	–	–
Farm-related business	–	–	–	–	–	–	–
Total agribusiness	–	–	–	–	–	–	–
Rural residential real estate	502	789	426	516	5	521	6
Total	$ 9,438	$ 11,415	$ 1,660	$ 9,707	$ 88	$ 9,796	$ 112
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	$ 1,260	$ 1,339	$ –	$ 1,296	$ 12	$ 1,308	$ 15
Production and intermediate-term	10,123	10,487	–	10,413	92	10,508	121
Agribusiness							
Processing and marketing	(10)	1,228	–	(10)	–	(11)	–
Farm-related business	–	–	–	–	–	–	–
Total agribusiness	(10)	1,228	–	(10)	–	(11)	–
Rural residential real estate	76	126	–	78	–	79	1
Total	$ 11,449	$ 13,180	$ –	$ 11,777	$ 104	$ 11,884	$ 137
Total impaired loans:							
Real estate mortgage	$ 4,811	$ 5,006	$ 427	$ 4,948	$ 45	$ 4,994	$ 57
Production and intermediate-term	15,508	17,446	807	15,952	142	16,097	185
Agribusiness							
Processing and marketing	(10)	1,228	–	(10)	–	(11)	–
Farm-related business	–	–	–	–	–	–	–
Total agribusiness	(10)	1,228	–	(10)	–	(11)	–
Rural residential real estate	578	915	426	594	5	600	7
Total	$ 20,887	$ 24,595	$ 1,660	$ 21,484	$ 192	$ 21,680	$ 249

	December 31, 2012			Year Ended December 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 3,123	$ 3,209	$ 424	$ 4,108	$ 403
Production and intermediate-term	3,793	5,997	480	4,990	490
Rural residential real estate	(7)	475	14	(9)	(1)
Total	$ 6,909	$ 9,681	$ 918	9,089	892
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 917	$ 2,607	$ –	$ 1,206	$ 119
Production and intermediate-term	12,839	13,846	–	16,888	1,657
Agribusiness					
Processing and marketing	(10)	1,228	–	(13)	(1)
Farm-related business	–	–	–	–	–
Total agribusiness	(10)	1,228	–	(13)	(1)
Rural residential real estate	476	479	–	626	62
Total	$ 14,222	$ 18,160	–	$ 18,707	$ 1,837
Total impaired loans:					
Real estate mortgage	$ 4,040	$ 5,816	$ 424	$ 5,314	$ 522
Production and intermediate-term	16,632	19,843	480	21,878	2,147
Agribusiness					
Processing and marketing	(10)	1,228	–	(13)	(1)
Farm-related business	–	–	–	–	–
Total agribusiness	(10)	1,228	–	(13)	(1)
Rural residential real estate	469	954	14	617	61
Total	$ 21,131	$ 27,841	$ 918	27,796	2,729

Unpaid principal balance represents the contractual principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

A summary of changes in the allowance for loan losses and recorded investment in loans at period end were as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communication	Rural Residential Real Estate	Total
Allowance for credit losses:						
Balance at March 31, 2013	$ 3,003	$ 1,389	$ 84	$ 20	$ 63	$ 4,559
Charge-offs	(118)	(106)	(3)	–	(13)	(240)
Recoveries	382	308	–	–	–	690
Provision for loan losses	(642)	193	38	(2)	413	–
Balance at June 30, 2013	$ 2,625	$ 1,784	$ 119	$ 18	$ 463	$ 5,009
Balance at December 31, 2012	$ 2,853	$ 1,564	$ 54	$ 20	$ 58	$ 4,549
Charge-offs	(221)	(427)	(3)	–	(28)	(679)
Recoveries	1,030	311	–	–	148	1,489
Provision for loan losses	(1,037)	336	68	(2)	285	(350)
Balance at June 30, 2013	$ 2,625	$ 1,784	$ 119	$ 18	$ 463	$ 5,009
Balance at March 31, 2012	$ 2,105	$ 3,643	$ 11	$ –	$ 42	$ 5,801
Charge-offs	(18)	(332)	(9)	–	–	(359)
Recoveries	2	–	–	–	–	2
Provision for loan losses	207	(257)	39	10	1	–
Balance at June 30, 2012	$ 2,296	$ 3,054	$ 41	$ 10	$ 43	$ 5,444
Balance at December 31, 2011	$ 2,072	$ 4,426	$ 19	$ –	$ 61	$ 6,578
Charge-offs	(209)	(986)	(13)	–	(20)	(1,228)
Recoveries	15	79	–	–	–	94
Provision for loan losses	418	(465)	35	10	2	–
Balance at June 30, 2012	$ 2,296	$ 3,054	$ 41	$ 10	$ 43	$ 5,444
Loans individually evaluated for impairment	$ 427	$ 807	$ –	$ –	$ 426	$ 1,660
Loans collectively evaluated for impairment	2,198	977	119	18	37	3,349
Balance at June 30, 2013	$ 2,625	$ 1,784	$ 119	$ 18	$ 463	$ 5,009
Loans individually evaluated for impairment	$ 424	$ 480	$ –	$ –	$ 14	$ 918
Loans collectively evaluated for impairment	2,429	$ 1,084	$ 54	$ 20	$ 44	$ 3,631
Balance at December 31, 2012	$ 2,853	$ 1,564	$ 54	$ 20	$ 58	$ 4,549
Recorded investment in loans outstanding:						
Loans individually evaluated for impairment	$ 4,419	$ 13,241	$ (10)	$ –	$ 578	$ 18,228
Loans collectively evaluated for impairment	173,264	69,600	9,429	1,419	2,907	256,619
Ending balance at June 30, 2013	$ 177,683	$ 82,841	$ 9,419	$ 1,419	$ 3,485	$ 274,847
Loans individually evaluated for impairment	$ 4,040	$ 16,426	$ (10)	$ –	$ (7)	$ 20,449
Loans collectively evaluated for impairment	178,676	$ 67,567	$ 4,015	$ 1,457	$ 3,269	$ 254,984
Ending balance at December 31, 2012	$ 182,716	$ 83,993	$ 4,005	$ 1,457	$ 3,262	$ 275,433

A restructuring of a debt constitutes a troubled debt restructuring (TDR) 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. Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets. There were no TDRs for the three or six month periods ended June 30, 2013.

	Three months ended June 30, 2012			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Production and intermediate-term	–	210	–	210
Total	$ –	$ 210	$ –	$ 210

	Three months ended June 30, 2012					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Production and intermediate-term	–	210	–	210	–	–
Total	$ –	$ 210	$ –	$ 210	$ –	$ –

	Six months ended June 30, 2012			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Production and intermediate-term	–	210	–	210
Total	$ –	$ 210	$ –	$ 210

	Six months ended June 30, 2012					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Production and intermediate-term	–	210	–	210	–	–
Total	$ –	$ 210	$ –	$ 210	$ –	$ –

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. Payment default is defined as a payment that was thirty days or more past due.

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Real estate mortgage	$ 573	$ 154	$ 181	$ 154
Production and intermediate-term	5,095	5,489	2,828	5,283
Rural residential real estate	477	476	477	–
Total Loans	$ 6,145	$ 6,119	$ 3,486	$ 5,437

At June 30, 2013 and December 31, 2012, there were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings.

NOTE 3 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Pension	$ 166	$ 170	$ 333	$ 339
401(k)	36	47	65	77
Other postretirement benefits	28	23	55	46
Total	$ 230	$ 240	$ 453	$ 462

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 6/30/13	Projected Contributions For Remainder of 2013	Projected Total Contributions 2013
Pension	$ –	$ 647	$ 647
Other postretirement benefits	63	75	138
Total	$ 63	$ 722	$ 785

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2013.

Further details regarding employee benefit plans are contained in the 2012 Annual Report to Shareholders.

NOTE 4 – COMMITMENTS AND CONTINGENT LIABILITIES

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On the basis of information presently available, management and legal counsel are of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association.

NOTE 5 – FAIR VALUE MEASUREMENT

Fair value is defined 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.

Accounting guidance establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 1.62 percent of the issued stock of the Bank as of June 30, 2013 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.1 billion and shareholders' equity totaled $2.3 billion. The Bank's earnings were $232 million for the first six months of 2013. In addition, the Association has an investment of $407 related to other Farm Credit institutions.

The classifications of the Association's financial instruments within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association has no Level 1 assets or liabilities measured at fair value on a recurring basis at June 30, 2013. For cash, the carrying value is primarily utilized as a reasonable estimate of fair value.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets or liabilities measured at fair value on a recurring basis at June 30, 2013.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

Because no active market exists for the Association's accruing loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans currently would be made to borrowers with similar credit risk. The loan portfolio is segregated into pools of loans with homogeneous characteristics based upon repricing and credit risk. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair values of loans in a nonaccrual status are estimated to be the carrying amount of the loan less specific reserves. Level 3 assets at June 30, 2013 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under FASB guidance. The fair value was based upon the underlying collateral since these were collateral-dependent. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. 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.

The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

Other property owned is classified as a level 3 asset. The fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. Other property owned consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure and is carried as an asset held for sale, which is generally not its highest and best use. These properties are part of the Association's credit risk mitigation efforts, not its ongoing business. In addition, FCA regulations require that these types of property be disposed of within a reasonable period of time.

For commitments to extend credit, the estimated market value of off-balance-sheet commitments is minimal since the committed rate approximates current rates offered for commitments with similar rate and maturity characteristics; therefore, the related credit risk is not significant.

INFORMATION ABOUT SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Other Property Owned/Impaired Loans

Other property owned and impaired loans are valued using appraisals, market comparable sales, replacement costs and income and expense (cash flow) techniques. Certain unobservable inputs are used within these techniques to determine the level 3 fair value of these properties. The significant unobservable inputs are primarily sensitive only to industry, geographic and overall economic conditions, and/or specific attributes of each property.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available. Quoted market prices are generally not available for certain System financial instruments, as described below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Other fair value measurements may use contractual payments and a risk adjusted discount rate, which is generated using the Association's 14-point risk rating scale. An increase in risk rating will generally produce a lower fair value measurement.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 28,782	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement costs	*
			Comparability adjustments	*

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility
Accrued interest	Carrying value	Coupon interest rates
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility

The following table presents the carrying amounts and fair values of assets and liabilities that are measured at fair value on a recurring and nonrecurring basis, as well as, those financial instruments not measured at fair value, for each of the hierarchy levels at the period ended:

	At or for the Six Months Ended June 30, 2013					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 19,227	$ –	$ –	$ 19,227	$ 19,227	$ 67
Other property owned	8,777	–	–	9,555	9,555	(342)
Nonrecurring Assets	$ 28,004	$ –	$ –	$ 28,782	$ 28,782	$ (275)
Other Financial Instruments						
Assets:						
Loans	249,008	–	–	247,029	247,029	
Other Assets	$ 249,008	$ –	$ –	$ 247,029	$ 247,029	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 205,208	$ –	$ –	$ 202,814	$ 202,814	
Other Liabilities	$ 205,208	$ –	$ –	$ 202,814	$ 202,814	

	At or for the Year Ended December 31, 2012					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 20,213	$ –	$ –	$ 20,213	$ 20,213	$ 1,246
Other property owned	10,105	–	–	10,874	10,874	(1,514)
Nonrecurring Assets	$ 30,318	$ –	$ –	$ 31,087	$ 31,087	$ (268)
Other Financial Instruments						
Assets:						
Cash	$ 40	$ 40	$ –	$ –	$ 40	
Loans	248,959	–	–	249,165	249,165	
Other Assets	$ 248,999	$ 40	$ –	$ 249,165	$ 249,205	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 210,507	$ –	$ –	$ 211,350	$ 211,350	
Other Liabilities	$ 210,507	$ –	$ –	$ 211,350	$ 211,350	

NOTE 6 – REGULATORY ENFORCEMENT MATTERS

On April 20, 2011 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The previous written supervisory agreement between the FCA and the Association, dated April 6, 2010, was terminated by the April 20, 2011 agreement. The written supervisory agreement dated April 20, 2011 requires the Association to take corrective actions and other actions with respect to certain areas of its operations, including board operations, director fiduciary duties, board consultant functions, nominating committee assistance, strategic and business planning, staffing, internal controls, asset quality, loan portfolio management, allowance for loan loss, collateral risk, capital, earnings and liquidity.

See further discussion of the written supervisory agreement in the “Regulatory Matters” section of Management’s Discussion and Analysis of Financial Condition and Results of Operation contained in this Quarterly Report.

NOTE 7 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through August 7, 2013, which is the date the financial statements were issued.