

FIRST QUARTER 2013

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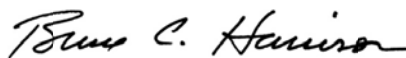
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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 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

May 9, 2013

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.

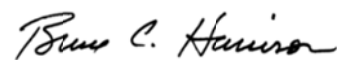
Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions 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 March 31, 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 March 31, 2013, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2013.



Ricky Bitner
Chief Executive Officer



Bruce C. Harrison
Chief Financial Officer

May 9, 2013

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 March 31, 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 March 31, 2013, was \$267,491 a decrease of \$5,957, as compared to \$273,448 at December 31, 2012. Net loans outstanding, gross loans net of the allowance for loan losses, at March 31, 2013, were \$262,932 as compared to \$268,899 at December 31, 2012. Net loans accounted for 93.04 percent of total assets at March 31, 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 \$21,005, an increase of \$556 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 March 31, 2013 was \$4,559 as compared to \$4,549 at December 31, 2012, an increase of \$10. This increase was primarily due to charge-offs against the allowance for loan losses of \$439 and reversals of \$350 offset by recoveries of \$799.

The allowance for loan loss of \$4,559 at March 31, 2013 was considered by management to be adequate to cover probable losses. The allowance for loan losses of \$4,559 represents 1.7 percent of the loan balances as of March 31, 2013. The other property owned was \$9,510 as of March 31, 2013 as compared to \$10,105 at December 31, 2012. This net decrease of \$595 was due to acquisitions of \$131, write-downs of \$74 and sales of \$652.

Amounts due from AgFirst Farm Credit Bank (the bank) decreased to \$472 as of March 31, 2013 as compared to \$2,907 as of December 31, 2012. These amounts represent patronage due from AgFirst at both March 31, 2013 and December 31, 2012. The decrease of \$2,435 is primarily due to the fact that the amount due at March 31, 2013 was for one quarter 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 March balance included no special distribution.

RESULTS OF OPERATIONS

For the three months ending March 31, 2013

Net income for the three months ending March 31, 2013, totaled \$1,020, as compared to net income of \$1,283 for the same period in 2012, a decrease in income of \$263. Components of the decrease in net income are discussed further in the following paragraphs.

For the three months ending March 31, 2013, interest income decreased by \$854 or 21.65 percent compared to the same period ending March 31, 2012. For the three months ending March 31, 2013 interest expense decreased by \$595 or 33.42 percent, compared to the period ending March 31, 2012. These decreases resulted in a decrease in net interest income of \$259, compared to the period ending March 31, 2012.

The reversal of loan losses for the three months ending March 31, 2013 was \$350 compared to no reversal or provision for the three months ending March 31, 2012.

Noninterest income for the three months ending March 31, 2013 totaled \$395, as compared to \$693 for the same period of 2012, a decrease in income of \$298. This decrease in noninterest income was primarily due to a decrease in patronage from the Bank of \$284 and a decrease in fee income of \$25, partially offset by a decrease in losses on the sale of OPO and expenses related to OPO of \$4 and an increase in income from the sale of rural home loans of \$7.

Noninterest expense for the three months ending March 31, 2013 totaled \$1,630, as compared to \$1,574 for the same period of 2012, an increase of \$56. This increase was primarily due to a decrease in salaries and benefits of \$14, an increase in insurance fund premiums of \$14, an increase in occupancy and equipment of \$19 and an increase in other expenses of \$37.

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 March 31, 2013 was \$199,027 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 March 31, 2013 increased \$1,040 to \$78,853 from the December 31, 2012 total of \$77,813. Total capital stock and participation certificates were \$921 as of March 31, 2013, an increase of \$20 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 March 31, 2013 the Association's total surplus ratio and core surplus ratio were 25.80 percent and 24.88 percent, respectively, and the permanent capital ratio was 26.12 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

| <i>(dollars in thousands)</i> | March 31, 2013 <i>(unaudited)</i> | December 31, 2012 <i>(audited)</i> |
|---|---|--|
| Assets | | |
| Cash | \$ — | \$ 40 |
| Loans | 267,491 | 273,448 |
| Less: allowance for loan losses | 4,559 | 4,549 |
| Net loans | 262,932 | 268,899 |
| Loans held for sale | — | 273 |
| Accrued interest receivable | 1,491 | 1,985 |
| Investments in other Farm Credit institutions | 4,955 | 5,017 |
| Premises and equipment, net | 1,266 | 1,233 |
| Other property owned | 9,510 | 10,105 |
| Due from AgFirst Farm Credit Bank | 472 | 2,907 |
| Other assets | 1,980 | 1,824 |
| Total assets | \$ 282,606 | \$ 292,283 |
| Liabilities | | |
| Notes payable to AgFirst Farm Credit Bank | \$ 199,027 | \$ 210,507 |
| Accrued interest payable | 399 | 437 |
| Patronage refunds payable | 131 | 1,281 |
| Other liabilities | 4,196 | 2,245 |
| Total liabilities | 203,753 | 214,470 |
| Commitments and contingencies | | |
| Members' Equity | | |
| Protected borrower stock | 3 | 4 |
| Capital stock and participation certificates | 918 | 897 |
| Retained earnings | | |
| Allocated | 51,622 | 51,622 |
| Unallocated | 26,310 | 25,290 |
| Total members' equity | 78,853 | 77,813 |
| Total liabilities and members' equity | \$ 282,606 | \$ 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)

**For the three months
ended March 31,**

(dollars in thousands)

2013

2012

| | 2013 | 2012 |
|--|----------|----------|
| Interest Income | | |
| Loans | \$ 3,090 | \$ 3,944 |
| Interest Expense | | |
| Notes payable to AgFirst Farm Credit Bank | 1,185 | 1,780 |
| Net interest income | 1,905 | 2,164 |
| Provision for (reversal of allowance for) loan losses | (350) | — |
| Net interest income after provision for (reversal of allowance for) loan losses | 2,255 | 2,164 |
| Noninterest Income | | |
| Loan fees | 39 | 64 |
| Patronage refunds from other Farm Credit institutions | 464 | 748 |
| Gains (losses) on other property owned, net | (115) | (119) |
| Gains (losses) on sales of rural home loans, net | 7 | — |
| Total noninterest income | 395 | 693 |
| Noninterest Expense | | |
| Salaries and employee benefits | 1,095 | 1,109 |
| Occupancy and equipment | 88 | 69 |
| Insurance Fund premiums | 54 | 40 |
| Other operating expenses | 393 | 356 |
| Total noninterest expense | 1,630 | 1,574 |
| Net income | 1,020 | 1,283 |
| Other comprehensive income | — | — |
| Comprehensive income | \$ 1,020 | \$ 1,283 |

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)

| <i>(dollars in thousands)</i> | Protected Borrower Stock | Capital Stock and Participation Certificates | Retained Earnings | | Total Members' Equity |
|---|--------------------------------|---|-------------------|------------------|-----------------------------|
| | | | Allocated | Unallocated | |
| Balance at December 31, 2011 | \$ 5 | \$ 941 | \$ 51,831 | \$ 19,220 | \$ 71,997 |
| Comprehensive income | | | | 1,283 | 1,283 |
| Protected borrower stock retired | (1) | | | | (1) |
| Capital stock/participation certificates issued/(retired), net | | 5 | | | 5 |
| Retained earnings retired | | | (79) | | (79) |
| Balance at March 31, 2012 | <u>\$ 4</u> | <u>\$ 946</u> | <u>\$ 51,752</u> | <u>\$ 20,503</u> | <u>\$ 73,205</u> |
| Balance at December 31, 2012 | \$ 4 | \$ 897 | \$ 51,622 | \$ 25,290 | \$ 77,813 |
| Comprehensive income | | | | 1,020 | 1,020 |
| Protected borrower stock retired | (1) | | | | (1) |
| Capital stock/participation certificates issued/(retired), net | | 21 | | | 21 |
| Balance at March 31, 2013 | <u>\$ 3</u> | <u>\$ 918</u> | <u>\$ 51,622</u> | <u>\$ 26,310</u> | <u>\$ 78,853</u> |

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 first 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 three months ended March 31, 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 March 31, 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:

| | March 31, 2013 | December 31, 2012 |
|----------------------------------|----------------|-------------------|
| Real estate mortgage | \$ 178,904 | \$ 181,224 |
| Production and intermediate-term | 77,735 | 83,517 |
| Agribusiness | | |
| Processing and marketing | 4,962 | 3,022 |
| Farm-related business | 904 | 974 |
| Total agribusiness | 5,866 | 3,996 |
| Communication | 1,438 | 1,456 |
| Rural residential real estate | 3,548 | 3,255 |
| Total Loans | \$ 267,491 | \$ 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:

| | March 31, 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 | \$ 1,480 | \$ 58,190 | \$ - | \$ 4,096 | \$ 258 | \$ - | \$ 1,738 | \$ 62,286 |
| Production and intermediate-term | - | 11,196 | - | - | 3,000 | 2,292 | 3,000 | 13,488 |
| Agribusiness | | | | | | | | |
| Processing and marketing | 4,381 | - | - | - | - | - | 4,381 | - |
| Farm-related Business | 805 | - | - | - | - | - | 805 | - |
| Total agribusiness | 5,186 | - | - | - | - | - | 5,186 | - |
| Communication | 1,456 | - | - | - | - | - | 1,456 | - |
| Total | \$ 8,122 | \$ 69,386 | \$ - | \$ 4,096 | \$ 3,258 | \$ 2,292 | \$ 11,380 | \$ 75,774 |

| | 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 March 31, 2013 and indicates that approximately 15.68 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 | \$ 7,448 | \$ 67,448 | \$ 104,008 | \$ 178,904 |
| Production and intermediate-term Agribusiness | 29,839 | 41,197 | 6,699 | 77,735 |
| Processing and marketing | 2,597 | 991 | 1,374 | 4,962 |
| Farm-related business | - | 806 | 98 | 904 |
| Total agribusiness | 2,597 | 1,797 | 1,472 | 5,866 |
| Communication | 1,438 | - | - | 1,438 |
| Rural residential real estate | 612 | 1,148 | 1,788 | 3,548 |
| Total Loans | \$ 41,934 | \$ 111,590 | \$ 113,967 | \$ 267,491 |

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.

| | March 31, 2013 | December 31, 2012 | | March 31, 2013 | December 31, 2012 |
|--|-------------------|----------------------|---------------------------------------|-------------------|----------------------|
| Real estate mortgage: | | | Total agribusiness: | | |
| Acceptable | 83.31% | 82.14% | Acceptable | 100.00% | 100.00% |
| OAEM | 7.52 | 8.70 | OAEM | - | - |
| Substandard/doubtful/loss | 9.17 | 9.16 | Substandard/doubtful/loss | - | - |
| | 100.00% | 100.00% | | 100.00% | 100.00% |
| Production and intermediate-term: | | | Communication: | | |
| Acceptable | 53.01% | 55.72% | Acceptable | 100.00% | 100.00% |
| OAEM | 4.41 | 8.36 | OAEM | - | - |
| Substandard/doubtful/loss | 42.58 | 35.92 | Substandard/doubtful/loss | - | - |
| | 100.00% | 100.00% | | 100.00% | 100.00% |
| Agribusiness: | | | Rural residential real estate: | | |
| Processing and marketing: | | | Acceptable | 73.96% | 77.26% |
| Acceptable | 100.00% | 100.00% | OAEM | 2.18 | - |
| OAEM | - | - | Substandard/doubtful/loss | 23.86 | 22.74 |
| Substandard/doubtful/loss | - | - | | 100.00% | 100.00% |
| | 100.00% | 100.00% | Total Loans: | | |
| Farm-related business: | | | Acceptable | 74.84% | 74.38% |
| Acceptable | 100.00% | 100.00% | OAEM | 6.34 | 8.32 |
| OAEM | - | - | Substandard/doubtful/loss | 18.82 | 17.30 |
| Substandard/doubtful/loss | - | - | | 100.00% | 100.00% |
| | 100.00% | 100.00% | | | |

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

| | March 31, 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 | \$ 1,219 | \$ 3,232 | \$ 4,451 | \$ 175,532 | \$ 179,983 | \$ - |
| Production and intermediate-term Agribusiness | 177 | 11,846 | 12,023 | 66,102 | 78,125 | - |
| Processing and marketing | - | (10) | (10) | 4,981 | 4,971 | - |
| Farm-related business | - | - | - | 907 | 907 | - |
| Total agribusiness | - | (10) | (10) | 5,888 | 5,878 | - |
| Communication | - | - | - | 1,438 | 1,438 | - |
| Rural residential real estate | 128 | 110 | 238 | 3,320 | 3,558 | - |
| Total | \$ 1,524 | \$ 15,178 | \$ 16,702 | \$ 252,280 | \$ 268,982 | \$ - |

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 | <u>\$ 5,743</u> | <u>\$ 15,475</u> | <u>\$ 21,218</u> | <u>\$ 254,215</u> | <u>\$ 275,433</u> | <u>\$ -</u> |

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:

| | March 31, 2013 | December 31, 2012 |
|--|-----------------------|--------------------------|
| Nonaccrual loans: | | |
| Real estate mortgage | \$ 4,812 | \$ 4,040 |
| Production and intermediate-term | 16,093 | 16,426 |
| Agribusiness | | |
| Processing and marketing | (10) | (10) |
| Farm-related business | - | - |
| Total agribusiness | (10) | (10) |
| Rural residential real estate | 110 | (7) |
| Total nonaccrual loans | <u>\$ 21,005</u> | <u>\$ 20,449</u> |
| Accruing restructured loans: | | |
| Real estate mortgage | \$ - | \$ - |
| Production and intermediate-term | 205 | 206 |
| Agribusiness | | |
| Processing and marketing | - | - |
| Farm-related business | - | - |
| Total agribusiness | - | - |
| Rural residential real estate | 473 | 476 |
| Total accruing restructured loans | <u>\$ 678</u> | <u>\$ 682</u> |
| 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 | <u>\$ -</u> | <u>\$ -</u> |
| Total nonperforming loans | \$ 21,683 | \$ 21,131 |
| Other property owned | 9,510 | 10,105 |
| Total nonperforming assets | <u>\$ 31,193</u> | <u>\$ 31,236</u> |
| Nonaccrual loans as a percentage of total loans | 7.85% | 7.48% |
| Nonperforming assets as a percentage of total loans and other property owned | 11.26% | 11.02% |
| Nonperforming assets as a percentage of capital | 39.56% | 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.

| | March 31, 2013 | December 31, 2012 |
|--------------------------------------|-----------------------|--------------------------|
| Impaired nonaccrual loans: | | |
| Current as to principal and interest | \$ 5,827 | \$ 4,974 |
| Past due | 15,178 | 15,475 |
| Total impaired nonaccrual loans | <u>21,005</u> | <u>20,449</u> |
| Impaired accrual loans: | | |
| Restructured | 678 | 682 |
| 90 days or more past due | - | - |
| Total impaired accrual loans | <u>678</u> | <u>682</u> |
| Total impaired loans | <u>\$ 21,683</u> | <u>\$ 21,131</u> |

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

| | March 31, 2013 | | | Quarter Ended March 31, 2013 | |
|--|----------------------------|---------------------------------|--------------------------|-------------------------------------|---|
| | 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 | \$ 3,850 | \$ 3,946 | \$ 476 | \$ 3,884 | \$ 10 |
| Production and intermediate-term | 2,144 | 4,675 | 298 | 2,164 | 6 |
| Rural residential real estate | 110 | 382 | 13 | 111 | - |
| Total | \$ 6,104 | \$ 9,003 | \$ 787 | \$ 6,159 | \$ 16 |
| Impaired loans with no related allowance for credit losses: | | | | | |
| Real estate mortgage | \$ 962 | \$ 1,545 | \$ - | \$ 972 | \$ 3 |
| Production and intermediate-term | 14,154 | 14,661 | - | 14,280 | 35 |
| Agribusiness | | | | | |
| Processing and marketing | (10) | 1,228 | - | (10) | - |
| Farm-related business | - | - | - | - | - |
| Total agribusiness | (10) | 1,228 | - | (10) | - |
| Rural residential real estate | 473 | 475 | - | 478 | 2 |
| Total | \$ 15,579 | \$ 17,909 | \$ - | \$ 15,720 | \$ 40 |
| Total impaired loans: | | | | | |
| Real estate mortgage | \$ 4,812 | \$ 5,491 | \$ 476 | \$ 4,856 | \$ 13 |
| Production and intermediate-term | 16,298 | 19,336 | 298 | 16,444 | 41 |
| Agribusiness | | | | | |
| Processing and marketing | (10) | 1,228 | - | (10) | - |
| Farm-related business | - | - | - | - | - |
| Total agribusiness | (10) | 1,228 | - | (10) | - |
| Rural residential real estate | 583 | 857 | 13 | 589 | 2 |
| Total | \$ 21,683 | \$ 26,912 | \$ 787 | \$ 21,879 | \$ 56 |
| 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 December 31, 2012 | \$ 2,853 | \$ 1,564 | \$ 54 | \$ 20 | \$ 58 | \$ 4,549 |
| Charge-offs | (103) | (321) | - | - | (15) | (439) |
| Recoveries | 648 | 3 | - | - | 148 | 799 |
| Provision for loan losses | (395) | 143 | 30 | - | (128) | (350) |
| Balance at March 31, 2013 | \$ 3,003 | \$ 1,389 | \$ 84 | \$ 20 | \$ 63 | \$ 4,559 |
| Balance at December 31, 2011 | \$ 2,072 | \$ 4,426 | \$ 19 | \$ - | \$ 61 | \$ 6,578 |
| Charge-offs | (191) | (654) | (4) | - | (20) | (869) |
| Recoveries | 13 | 79 | - | - | - | 92 |
| Provision for loan losses | 211 | (208) | (4) | - | 1 | - |
| Balance at March 31, 2012 | \$ 2,105 | \$ 3,643 | \$ 11 | \$ - | \$ 42 | \$ 5,801 |
| Loans individually evaluated for impairment | \$ 476 | \$ 298 | \$ - | \$ - | \$ 13 | \$ 787 |
| Loans collectively evaluated for impairment | 2,527 | 1,091 | 84 | 20 | 50 | 3,772 |
| Balance at March 31, 2013 | \$ 3,003 | \$ 1,389 | \$ 84 | \$ 20 | \$ 63 | \$ 4,559 |
| 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 | \$ 4,812 | \$ 16,093 | \$ (10) | \$ - | \$ 110 | \$ 21,005 |
| Loans collectively evaluated for impairment | 175,171 | 62,032 | 5,888 | 1,438 | 3,448 | 247,977 |
| Ending balance at March 31, 2013 | \$ 179,983 | \$ 78,125 | \$ 5,878 | \$ 1,438 | \$ 3,558 | \$ 268,982 |
| 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 during the periods ended March 31, 2013 or 2012.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

| | Three Months Ended March 31, | |
|--|------------------------------|------|
| | 2013 | 2012 |
| Defaulted troubled debt restructurings: | | |
| Production and intermediate-term | \$ 370 | \$ - |
| Total | \$ 370 | \$ - |

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 | |
|----------------------------------|----------------|-------------------|-----------------|-------------------|
| | March 31, 2013 | December 31, 2012 | March 31, 2013 | December 31, 2012 |
| Real estate mortgage | \$ 370 | \$ 154 | \$ 370 | \$ 154 |
| Production and intermediate-term | 5,023 | 5,489 | 4,818 | 5,283 |
| Rural residential real estate | 473 | 476 | - | - |
| Total Loans | \$ 5,866 | \$ 6,119 | \$ 5,188 | \$ 5,437 |

At March 31, 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 March 31, | |
|-------------------------------|--------------------------------------|--------|
| | 2013 | 2012 |
| Pension | \$ 167 | \$ 169 |
| 401(k) | 29 | 30 |
| Other postretirement benefits | 27 | 23 |
| Total | \$ 223 | \$ 222 |

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

| | Actual YTD Through 3/31/13 | Projected Contributions For Remainder of 2013 | Projected Total Contributions 2013 |
|-------------------------------|----------------------------|---|------------------------------------|
| Pension | \$ - | \$ 647 | \$ 647 |
| Other postretirement benefits | 32 | 106 | 138 |
| Total | \$ 32 | \$ 753 | \$ 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 – 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 1.66 percent of the issued stock of the Bank as of March 31, 2013 net of any reciprocal investment. As of that date, the Bank's assets totaled \$27.7 billion and shareholders' equity totaled 2.4 billion. The Bank's earnings were \$121 million for the first three months of 2013. In addition, the Association has an investment of \$409 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 March 31, 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 March 31, 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 March 31, 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 | \$ 31,159 | 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 Three Months Ended March 31, 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 | \$ 20,896 | \$ - | \$ - | \$ 20,896 | \$ 20,896 | \$ 490 |
| Other property owned | 9,510 | - | - | 10,263 | 10,263 | (71) |
| Nonrecurring Assets | \$ 30,406 | \$ - | \$ - | \$ 31,159 | \$ 31,159 | \$ 419 |
| Other Financial Instruments | | | | | | |
| Assets: | | | | | | |
| Loans | 242,036 | - | - | 241,871 | 241,871 | |
| Other Assets | \$ 242,036 | \$ - | \$ - | \$ 241,871 | \$ 241,871 | |
| Liabilities: | | | | | | |
| Notes payable to AgFirst Farm Credit Bank | \$ 199,027 | \$ - | \$ - | \$ 199,361 | \$ 199,361 | |
| Other Liabilities | \$ 199,027 | \$ - | \$ - | \$ 199,361 | \$ 199,361 | |

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 5 – 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 6 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through May 9, 2013, which is the date the financial statements were issued.