AgCarolina Farm Credit, ACA

SECOND QUARTER 2013

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2013 quarterly report of AgCarolina Farm Credit, 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.

S. Stuart Pierce, Jr.
Chairman of the Board

David W. Corum
President
Chief Executive Officer

Matthew J. Currin
Senior Vice President
Chief Financial Officer

August 7, 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 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.

David W. Corum
President
Chief Executive Officer

Matthew J. Currin
Senior Vice President
Chief Financial Officer

August 7, 2013

AgCarolina Farm Credit, 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 AgCarolina Farm Credit, ACA (Association) for the six months ended June 30, 2013. Effective September 1, 2012, AgCarolina Financial, ACA, changed its name to AgCarolina Farm Credit, ACA. These comments should be read in conjunction with the accompanying financial statements, notes to the 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. Predominant commodities in the portfolio are tobacco, cotton, and forestry, which constitute $387,657, or 40.77 percent, of the loan portfolio as of June 30, 2013. Other major farm commodities include landlords, swine, poultry, forestry, soybeans, corn, and farm services. 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 a given commodity.

The net loan volume of the Association as of June 30, 2013, was $915,214, an increase of $33,936 or 3.85 percent as compared to $881,278 at December 31, 2012. Net loans accounted for 93.97 percent of total assets at June 30, 2013 as compared to 91.24 percent of total assets at December 31, 2012. The increase in net loan volume during the reporting period is primarily attributed to seasonal lending. The short-term portfolio, which is heavily influenced by operating-type loans, normally reaches a peak in August and declines in the fall and winter months as farm commodities are marketed and proceeds are applied to the operating loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory. Nonaccrual loans decreased from $28,136 at December 31, 2012 to $24,481 at June 30, 2013, for a decrease of $3,654 or 12.99 percent. The decrease is due to liquidations of certain nonaccrual accounts during the second quarter of 2013.

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 $14,031 as compared to $14,669 at December 31, 2012, for a decrease of $638. This was a result of an increase in net charge-offs of $733 that was offset by a provision in the amount of $95. The ratio of the allowance for loan losses to loans at June 30, 2013 was 1.51 percent, which was slightly less than the prior year end. The allowance was considered by management to be adequate to cover possible losses.

Other investments consists of tobacco buyout Successor-in-Interest Contracts (SIIC) which come under the FCA's Mission Related Investments. Under the SIIC, the tobacco quota holders and producers may assign their rights to receive tobacco buyout contract payments to a third party. The third party, or successor, purchases the entire contract and all related rights and obligations associated with the contract. As of June 30, 2013 the Association held tobacco buyout SIIC of $15,548, a decrease of $15,276 or 50.29 percent, as compared to $31,275 as of December 31, 2012. The decrease is due to the receipt of the scheduled annual payment from the government. The final government payment is expected to occur in January 2014.

Other property owned was $861 as of June 30, 2013, which was unchanged from the December 31, 2012 balance. The Association has the same properties in inventory as of June 30, 2013 and no adjustments have been made since year end. The Association is actively marketing all properties for resale.

RESULTS OF OPERATIONS

For the three months ended June 30, 2013

Net income for the three months ended June 30, 2013 totaled $4,662, a decrease of $982, or 17.40 percent, as compared to the same period of 2012. The primary reason for the decrease in net income as compared to the previous period is due to a decrease in noninterest income resulting from the absence of the Insurance Fund refund in 2013. The $1,105 refund received in the second quarter of 2012 was non-recurring and additional refunds were not expected in 2013. Loan fees also decreased by $103 which added to the overall decrease for the quarter. The decrease in noninterest income was offset by a $205 favorable variance in the allowance for loan loss provision. At June 30, 2013, total interest income decreased by $414 compared to June 30, 2011. The decrease in interest income is due primarily to reduced interest rates as compared to the same period in 2012.

Interest income from nonaccrual loans was $77 for the three months ended June 30, 2013, a decrease of $53 from the same period of 2012. Interest expense decreased $382 for the three months ended June 30, 2013, as compared to the same period of 2012. The decrease in interest expense is attributed to a decline in funding rates.

Noninterest income for the three months ended June 30, 2013 totaled $2,844 as compared to $3,956 for the same period of 2012, a decrease of $1,112. The overall decrease is primarily due to the decrease in the Farm Credit System Insurance Corporation (FCSIC) Insurance Fund refund of $1,105 and a decrease in loan fees of $103, which were offset by a decline in Losses on other property owned of $92.

Noninterest expense for the three months ended June 30, 2013 was $4,300, an increase of $43, or 1.01% as compared to the same period of 2012. The reason for the overall increase is due primarily to an increase In Occupancy and equipment expense of $40, FCSIC Insurance Fund premiums of $85 and other operating expenses of $79. These variances were offset by a decline in Salaries and employee benefits totaling $160 for the three months ended June 30, 2013. The decrease in salaries and employee benefits is primarily due to a reduced overall salary base as a result of certain employee retirements and departures.

For the six months ended June 30, 2013

Net income for the six months ended June 30, 2013 totaled $8,917, an increase of $464, or 5.49 percent, as compared to the same period of 2012. The primary reasons for the increase in net income are a decrease in the provision for loan losses of $1,175 over the comparable period from last year as well as an increase in net interest income of $228 and a decrease in operating expenses of $158. These favorable variances were offset by an $1,105 decrease in refunds from FCSIC that were received in 2012 but were not received in 2013. At June 30, 2013, total interest income decreased by $590 compared to the same period in 2012. The decrease in interest income is due to a decline in interest rates as compared to the same period in 2012.

Interest income from nonaccrual loans was $199 as of June 30, 2013, a decrease of $9 from the same period of 2012. Interest expense decreased $818 for the first six months in 2013, as compared to the comparable period of 2012. The decrease in interest expense is also attributed to the decline in interest rates.

Noninterest income for the six months ended June 30, 2013 totaled $5,567 as compared to $6,714 for the same period of 2012, a decrease of $1,097. The decrease is primarily due to the FCSIC Insurance Fund refund of $1,105 received in 2012 that was not duplicated in 2013.

Noninterest expense for the six months ended June 30, 2013 was $8,717, a decrease of $158 as compared to the same period of 2012. Salaries and employee benefits totaled $6,213 for the six months ended June 30, 2013, for a decrease of $318 or 5.12 percent, as compared to the same period of 2012. The decrease is primarily due to a reduced salary base due to employee retirements and departures.

LIQUIDITY AND FUNDING SOURCES

Liquidity

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with AgFirst Farm Credit Bank (Bank) and from income generated by operations. Sufficient liquid funds have been available to meet all financial obligations.

Funding Sources

The principal source of funds for the Association is the borrowing relationship established with the 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 funds are advanced by the Bank 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 $756,362 as compared to $752,900 at December 31, 2012. The 0.46 percent increase during the period is primarily attributed to an increase in loan volume during the period.

The Association has no lines of credit outstanding with third parties as of June 30, 2013.

CAPITAL RESOURCES

Total members' equity at June 30, 2013, increased 6.67 percent to $203,655 from the December 31, 2012, total of $190,947. The increase is attributed to the increase in retained earnings related to net income as well as an increase in preferred stock. Preferred stock was $31,317 as of June 30, 2013, as compared to $27,262 on December 31, 2012, for an increase of 14.88 percent.

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 both 17.54 percent, and the permanent capital ratio was 21.61 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

For the six months ended June 30, 2013, the FCA took no enforcement action against the Association.

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 1-919-250-9500, writing Linda Strickland, AgCarolina Farm Credit, ACA, P. O. Box 14789, Raleigh, NC 27620, or accessing the website, *www.agcarolina.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.

AgCarolina Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	June 30, 2013 *(unaudited)*	December 31, 2012 *(audited)*
Assets		
Cash	$ 1,101	$ 3,915
Loans	929,245	895,947
Less: allowance for loan losses	14,031	14,669
Net loans	915,214	881,278
Other investments	15,548	31,275
Accrued interest receivable	11,052	12,117
Investments in other Farm Credit institutions	10,861	10,861
Premises and equipment, net	8,585	8,661
Other property owned	861	861
Due from AgFirst Farm Credit Bank	2,763	7,432
Other assets	8,000	9,491
Total assets	$ 973,985	$ 965,891
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 756,362	$ 752,900
Accrued interest payable	1,251	1,380
Patronage refunds payable	148	6,557
Other liabilities	12,569	14,107
Total liabilities	770,330	774,944
Commitments and contingencies		
Members' Equity		
Preferred stock	31,317	27,262
Member capital stock and participation certificates	3,229	3,294
Retained earnings		
Allocated	96,259	96,256
Unallocated	72,850	64,135
Total members' equity	203,655	190,947
Total liabilities and members' equity	$ 973,985	$ 965,891

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

AgCarolina Farm Credit, 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	$ 10,039	$ 10,233	$ 19,678	$ 19,965
Other investments	149	369	459	762
Total interest income	10,188	10,602	20,137	20,727
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	4,070	4,452	7,975	8,793
Net interest income	6,118	6,150	12,162	11,934
Provision for loan losses	—	205	95	1,270
Net interest income after provision for loan losses	6,118	5,945	12,067	10,664
Noninterest Income				
Loan fees	808	910	1,860	1,996
Fees for financially related services	106	107	264	299
Patronage refunds from other Farm Credit institutions	1,908	1,908	3,238	3,242
Gains (losses) on other property owned, net	5	(88)	5	(60)
Gains (losses) on sales of premises and equipment, net	12	17	40	17
Insurance Fund refunds	—	1,105	—	1,105
Other noninterest income (expense)	5	(3)	160	65
Total noninterest income	2,844	3,956	5,567	6,664
Noninterest Expense				
Salaries and employee benefits	3,043	3,204	6,213	6,531
Occupancy and equipment	316	277	609	549
Insurance Fund premiums	178	93	345	181
Other operating expenses	763	683	1,550	1,614
Total noninterest expense	4,300	4,257	8,717	8,875
Net income	4,662	5,644	8,917	8,453
Other comprehensive income	—	—	—	—
Comprehensive income	$ 4,662	$ 5,644	$ 8,917	$ 8,453

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

AgCarolina Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Preferred Stock	Member Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2011	$ 32,344	$ 3,244	$ 86,845	$ 63,133	$ 185,566
Comprehensive income				8,453	8,453
Preferred stock issued(retired), net	(6,553)				(6,553)
Member stock/participation certificates issued/(retired), net		21			21
Dividends declared/paid	222			(222)	–
Patronage distribution adjustment			(199)	199	–
Balance at June 30, 2012	$ 26,013	$ 3,265	$ 86,646	$ 71,563	$ 187,487
Balance at December 31, 2012	$ 27,262	$ 3,294	$ 96,256	$ 64,135	$ 190,947
Comprehensive income				8,917	8,917
Preferred stock issued(retired), net	3,859				3,859
Member stock/participation certificates issued/(retired), net		(65)			(65)
Dividends declared/paid	196			(196)	–
Patronage distribution adjustment			3	(6)	(3)
Balance at June 30, 2013	$ 31,317	$ 3,229	$ 96,259	$ 72,850	$ 203,655

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

AgCarolina Farm Credit, 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

Effective September 1, 2012, AgCarolina Financial, ACA, changed its name to AgCarolina Farm Credit, ACA. The accompanying financial statements include the accounts of AgCarolina Farm Credit, 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	$ 368,609	$ 365,293
Production and intermediate-term	517,684	486,682
Agribusiness		
Loans to cooperatives	166	858
Processing and marketing	8,668	9,010
Farm-related business	7,519	8,394
Total agribusiness	16,353	18,262
Communication	1,325	1,340
Rural residential real estate	25,274	24,370
Total Loans	$ 929,245	$ 895,947

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	$ 6,861	$ 14,195	$ –	$ 1,208	$ –	$ –	$ 6,861	$ 15,403
Production and intermediate-term	25,163	58,717	1,414	154,024	182,849	–	209,426	212,741
Agribusiness								
Loans to cooperatives	84	–	–	–	–	–	84	–
Processing and marketing	7,708	–	961	–	–	–	8,669	–
Farm-related business	291	–	–	–	–	–	291	–
Total agribusiness	8,083	–	961	–	–	–	9,044	–
Communication	1,325	–	–	–	–	–	1,325	–
Total	$ 41,432	$ 72,912	$ 2,375	$ 155,232	$ 182,849	$ –	$ 226,656	$ 228,144

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	$ 7,517	$ 16,889	$ –	$ 1,279	$ –	$ –	$ 7,517	$ 18,168
Production and intermediate-term	22,874	42,206	1,516	15,264	20,291	–	44,681	57,470
Agribusiness								
Loans to cooperatives	792	–	–	–	–	–	792	–
Processing and marketing	8,055	–	961	–	–	–	9,016	–
Farm-related business	582	–	–	–	–	–	582	–
Total agribusiness	9,429	–	961	–	–	–	10,390	–
Communication	1,341	–	–	–	–	–	1,341	–
Total	$ 41,161	$ 59,095	$ 2,477	$ 16,543	$ 20,291	$ –	$ 63,929	$ 75,638

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 28.28 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	$ 39,549	$ 84,460	$ 244,600	$ 368,609
Production and intermediate-term	210,026	170,756	136,902	517,684
Agribusiness				
Loans to cooperatives	104	62	–	166
Processing and marketing	7,523	1,049	96	8,668
Farm-related business	4,094	686	2,739	7,519
Total agribusiness	11,721	1,797	2,835	16,353
Communication	1,309	14	2	1,325
Rural residential real estate	167	2,838	22,269	25,274
Total Loans	$ 262,772	$ 259,865	$ 406,608	$ 929,245

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	84.41%	81.85%
OAEM	8.50	10.01
Substandard/doubtful/loss	7.09	8.14
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	91.36%	90.13%
OAEM	5.16	5.22
Substandard/doubtful/loss	3.48	4.65
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	88.29%	100.00%
OAEM	11.71	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	100.00%	89.30%
OAEM	–	10.70
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	83.46%	50.92%
OAEM	16.54	49.08
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	June 30, 2013	December 31, 2012
Total agribusiness:		
Acceptable	92.24%	71.96%
OAEM	7.76	28.04
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	96.47%	93.73%
OAEM	1.54	1.94
Substandard/doubtful/loss	1.99	4.33
	100.00%	100.00%
Total Loans:		
Acceptable	88.77%	86.50%
OAEM	6.43	7.54
Substandard/doubtful/loss	4.80	5.96
	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	$ 2,405	$ 3,053	$ 5,458	$ 367,524	$ 372,982	$ –
Production and intermediate-term	634	4,878	5,512	518,633	524,145	–
Agribusiness						
Loans to cooperatives	–	–	–	168	168	–
Processing and marketing	–	–	–	8,688	8,688	–
Farm-related business	–	–	–	7,597	7,597	–
Total agribusiness	–	–	–	16,453	16,453	–
Communication	–	–	–	1,325	1,325	–
Rural residential real estate	77	–	77	25,315	25,392	–
Total	$ 3,116	$ 7,931	$ 11,047	$ 929,250	$ 940,297	$ –

	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	$ 2,800	$ 5,635	$ 8,435	$ 361,479	$ 369,914	$ 121
Production and intermediate-term	2,604	4,285	6,889	486,980	493,869	–
Agribusiness						
Loans to cooperatives	–	–	–	858	858	–
Processing and marketing	–	–	–	9,028	9,028	–
Farm-related business	–	–	–	8,583	8,583	–
Total agribusiness	–	–	–	18,469	18,469	–
Communication	–	–	–	1,340	1,340	–
Rural residential real estate	223	–	223	24,249	24,472	–
Total	$ 5,627	$ 9,920	$ 15,547	$ 892,517	$ 908,064	$ 121

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	$ 14,266	$ 18,062
Production and intermediate-term	10,027	9,317
Rural residential real estate	188	757
Total nonaccrual loans	$ 24,481	$ 28,136
Accruing restructured loans:		
Real estate mortgage	$ 2,685	$ 2,785
Production and intermediate-term	–	–
Rural residential real estate	–	–
Total accruing restructured loans	$ 2,685	$ 2,785
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ 121
Production and intermediate-term	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ –	$ 121
Total nonperforming loans	$ 27,166	$ 31,042
Other property owned	861	861
Nonperforming assets	$ 28,027	$ 31,903
Nonaccrual loans as a percentage of total loans	2.63%	3.14%
Nonperforming assets as a percentage of total loans and other property owned	3.01%	3.56%
Nonperforming assets as a percentage of capital	13.76%	16.71%

The following table presents information related 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	$ 16,341	$ 17,341
Past due	8,140	10,795
Total impaired nonaccrual loans	24,481	28,136
Impaired accrual loans:		
Restructured	2,685	2,785
90 days or more past due	–	121
Total impaired accrual loans	2,685	2,906
Total impaired loans	$ 27,166	$ 31,042

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	June 30, 2013			Quarter Ended June 30, 2013		Six Months Ended June 30, 2012	
	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	$ 8,824	$ 9,932	$ 4,307	$ 9,850	$ 27	$ 10,025	$ 68
Production and intermediate-term	1,866	2,478	732	2,084	6	2,121	14
Rural residential real estate	–	–	–	–	–	–	–
Total	$ 10,690	$ 12,410	$ 5,039	$ 11,934	$ 33	$ 12,146	$ 82
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	$ 8,127	$ 9,597	$ –	$ 9,075	$ 26	$ 9,235	$ 61
Production and intermediate-term	8,161	11,560	–	9,110	25	9,272	63
Rural residential real estate	188	474	–	210	1	214	1
Total	$ 16,476	$ 21,631	$ –	$ 18,395	$ 52	$ 18,721	$ 125
Total impaired loans:							
Real estate mortgage	$ 16,951	$ 19,529	$ 4,307	$ 18,925	$ 53	$ 19,260	$ 129
Production and intermediate-term	10,027	14,038	732	11,194	31	11,393	77
Rural residential real estate	188	474	–	210	1	214	1
Total	$ 27,166	$ 34,041	$ 5,039	$ 30,329	$ 85	$ 30,867	$ 207

	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	$ 10,640	$ 12,358	$ 4,858	$ 11,539	$ 165
Production and intermediate-term	1,959	2,274	857	2,125	30
Rural residential real estate	–	–	–	–	–
Total	$ 12,599	$ 14,632	$ 5,715	$ 13,664	$ 195
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 10,328	$ 11,601	$ –	$ 11,203	$ 160
Production and intermediate-term	7,358	9,728	–	7,980	114
Rural residential real estate	757	1,004	–	821	12
Total	$ 18,443	$ 22,333	$ –	$ 20,004	$ 286
Total impaired loans:					
Real estate mortgage	$ 20,968	$ 23,959	$ 4,858	$ 22,742	$ 325
Production and intermediate-term	9,317	12,002	857	10,105	144
Rural residential real estate	757	1,004	–	821	12
Total	$ 31,042	$ 36,965	$ 5,715	$ 33,668	$ 481

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	$ 8,173	$ 5,693	$ 173	$ 14	$ 269	$ 14,322
Charge-offs	(11)	(303)	–	–	–	(314)
Recoveries	5	16	–	–	2	23
Provision for loan losses	(293)	338	(16)	(1)	(28)	–
Balance at June 30, 2013	$ 7,874	$ 5,744	$ 157	$ 13	$ 243	$ 14,031
Balance at December 31, 2012	$ 8,505	$ 5,727	$ 182	$ 13	$ 242	$ 14,669
Charge-offs	(228)	(532)	–	–	–	(760)
Recoveries	30	(5)	–	–	2	27
Provision for loan losses	(433)	554	(25)	–	(1)	95
Balance at June 30, 2013	$ 7,874	$ 5,744	$ 157	$ 13	$ 243	$ 14,031
Balance at March 31, 2012	$ 7,381	$ 5,279	$ 219	$ 15	$ 244	$ 13,138
Charge-offs	(431)	(17)	–	–	–	(448)
Recoveries	–	56	–	–	–	56
Provision for loan losses	(73)	314	(27)	(1)	(8)	205
Balance at June 30, 2012	$ 6,877	$ 5,632	$ 192	$ 14	$ 236	$ 12,951
Balance at December 31, 2011	$ 7,162	$ 5,317	$ 182	$ 13	$ 216	$ 12,890
Charge-offs	(1,267)	(49)	–	–	–	(1,316)
Recoveries	1	106	–	–	–	107
Provision for loan losses	981	258	10	1	20	1,270
Balance at June 30, 2012	$ 6,877	$ 5,632	$ 192	$ 14	$ 236	$ 12,951
Loans individually evaluated for impairment	$ 4,307	$ 732	$ –	$ –	$ –	$ 5,039
Loans collectively evaluated for impairment	3,567	5,012	157	13	243	8,992
Balance at June 30, 2013	$ 7,874	$ 5,744	$ 157	$ 13	$ 243	$ 14,031
Loans individually evaluated for impairment	$ 4,858	$ 857	$ –	$ –	$ –	$ 5,715
Loans collectively evaluated for impairment	3,647	4,870	182	13	242	8,954
Balance at December 31, 2012	$ 8,505	$ 5,727	$ 182	$ 13	$ 242	$ 14,669
Recorded investment in loans outstanding:						
Loans individually evaluated for impairment	$ 14,457	$ 10,054	$ –	$ –	$ 251	$ 24,762
Loans collectively evaluated for impairment	358,525	514,091	16,453	1,325	25,141	915,535
Ending balance at June 30, 2013	$ 372,982	$ 524,145	$ 16,453	$ 1,325	$ 25,392	$ 940,297
Loans individually evaluated for impairment	$ 20,968	$ 9,317	$ –	$ –	$ 757	$ 31,042
Loans collectively evaluated for impairment	348,946	484,552	18,469	1,340	23,715	877,022
Ending balance at December 31, 2012	$ 369,914	$ 493,869	$ 18,469	$ 1,340	$ 24,472	$ 908,064

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. The following tables present additional information regarding TDRs as of the restructuring date that occurred during the periods presented. 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:				
Real estate mortgage	$ –	$ –	$ 17	$ 17
Production and intermediate-term	–	480	67	547
Total	$ –	$ 480	$ 84	$ 564

	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:						
Real estate mortgage	$ –	$ –	$ 17	$ 17	$ –	$ –
Production and intermediate-term	–	480	67	547	3	(3)
Total	$ –	$ 480	$ 84	$ 564	$ 3	$ (3)

	Six months ended June 30, 2012			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 82	$ 17	$ 99
Production and intermediate-term	25	480	67	572
Total	$ 25	$ 562	$ 84	$ 671

	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:						
Real estate mortgage	$ –	$ 93	$ 17	$ 110	$ –	$ –
Production and intermediate-term	30	480	67	577	3	(3)
Total	$ 30	$ 573	$ 84	$ 687	$ 3	$ (3)

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 that occurred during the previous twelve months and for which there was a subsequent payment default during the three or six month periods ended June 30, 2013 or 2012. 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	$ 11,196	$ 12,845	$ 8,511	$ 10,060
Production and intermediate-term	1,247	1,422	1,247	1,422
Rural residential real estate	–	–	–	–
Total Loans	$ 12,443	$ 14,267	$ 9,758	$ 11,482

Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings was $0 and $326 at June 30, 2013 and December 31, 2012, respectively.

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	$ 676	$ 675	$ 1,351	$ 1,351
401(k)	89	87	200	188
Other postretirement benefits	113	95	226	189
Total	$ 878	$ 857	$ 1,777	$ 1,728

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	$ –	$ 2,619	$ 2,619
Other postretirement benefits	183	208	391
Total	$ 183	$ 2,827	$ 3,010

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 3.87 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 $81 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's Level 1 assets at June 30, 2013 consist of assets held in trust funds and liabilities related to deferred compensation plans and assets held in mutual funds related to the Association's Corporate Giving Fund. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace. 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 and liabilities measured at fair value on a recurring basis.

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.

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 loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

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 (see Level 3 below).

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.

For other investments, which consist of Tobacco Buyout SIIC, fair value is determined by discounting the expected future cash flows using current interest rates for similar assets.

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.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

	Standby Letters Of Credit
Balance at January 1, 2013	$ 15
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other Comprehensive income	–
Purchases	–
Sales	–
Issuances	–
Settlements	(3)
Transfers in and/or out of level 3	–
Balance at June 30, 2013	$ 12

	Standby Letters Of Credit
Balance at January 1, 2012	$ 27
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other Comprehensive income	–
Purchases	–
Sales	–
Issuances	–
Settlements	(4)
Transfers in and/or out of level 3	–
Balance at June 30, 2012	$ 23

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.

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	$ 8,200	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
Other investments	Discounted cash flow	Probability of default
		Risk adjusted discount rate
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:						
Assets held in Mutual funds	$ 1,925	$ 1,925	$ –	$ –	$ 1,925	
Recurring Assets	$ 1,925	$ 1,925	$ –	$ –	$ 1,925	
Liabilities:						
Standby letters of credit	$ 12	$ –	$ –	$ 12	$ 12	
Recurring Liabilities	$ 12	$ –	$ –	$ 12	$ 12	
Nonrecurring Measurements						
Assets:						
Impaired loans*	$ 7,272	$ –	$ –	$ 7,272	$ 7,272	$ (57)
Other property owned	861	–	–	928	928	–
Nonrecurring Assets	$ 8,133	$ –	$ –	$ 8,200	$ 8,200	$ (57)
Other Financial Instruments						
Assets:						
Cash	$ 1,101	$ 1,101	$ –	$ –	$ 1,101	
Loans	893,087	–	–	877,540	877,540	
Other investments	15,548	–	–	16,057	16,057	
Other Assets	$ 909,736	$ 1,101	$ –	$ 893,597	$ 894,698	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 756,362	$ –	$ –	$ 743,779	$ 743,779	
Other Liabilities	$ 756,362	$ –	$ –	$ 743,779	$ 743,779	

	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:						
Assets held in Mutual funds	$ 2,908	$ 2,908	$ –	$ –	$ 2,908	
Recurring Assets	$ 2,908	$ 2,908	$ –	$ –	$ 2,908	
Liabilities:						
Standby letters of credit	$ 15	$ –	$ –	$ 15	$ 15	
Recurring Liabilities	$ 15	$ –	$ –	$ 15	$ 15	
Nonrecurring Measurements						
Assets:						
Impaired loans**	$ 7,772	$ –	$ –	$ 7,772	$ 7,772	$ (3,015)
Other property owned	861	–	–	928	928	(748)
Nonrecurring Assets	$ 8,633	$ –	$ –	$ 8,700	$ 8,700	$ (3,763)
Other Financial Instruments						
Assets:						
Cash	$ 3,915	$ 3,915	$ –	$ –	$ 3,915	
Loans	873,506	–	–	870,685	870,685	
Other investments	31,275	–	–	32,110	32,110	
Other Assets	$ 908,696	$ 3,915	$ –	$ 902,795	$ 906,710	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 752,900	$ –	$ –	$ 753,587	$ 753,587	
Deferred compensation liability	1,945	1,945	–	–	1,945	
Other Liabilities	$ 754,845	$ 1,945	$ –	$ 753,587	$ 755,532	

**Carrying value of impaired loans is the balance of loans with a related specific reserve ($10,960) less related specific reserves ($5,039) associated with impaired loans plus impaired loans with no specific reserve with an associated charge-off ($1,351).*
***Carrying value of impaired loans is the balance of loans with a related specific reserve ($12,599) less related specific reserves ($5,715) associated with impaired loans plus impaired loans with no specific reserve with an associated charge-off ($888).*

NOTE 6 – 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.