Ag Credit Agricultural Credit Association

FIRST QUARTER 2013

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2013 quarterly report of Ag Credit Agricultural Credit Association, 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.

Neil L. Jordan
Chief Executive Officer

Daniel E. Ebert
Chief Financial Officer

S. Jerry Layman
Chairman of the Board

May 9, 2013

AgCredit Agricultural Credit Association

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, to provide 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 and 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.

Neil L. Jordan
Chief Executive Officer

Daniel E. Ebert
Chief Financial Officer

May 9, 2013

Ag Credit Agricultural Credit Association

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

The following commentary reviews the financial condition and results of operations of Ag Credit Agricultural Credit Association (Association) for the three months ended 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. The accompanying consolidated financial statements (financial statements) were prepared under the oversight of the Audit Committee of the Board of Directors, which includes Keith L. Roberts, David M. Stott, Ph.D, CPA and Scott A. Schroeder. The results for the first three months of 2013 are not necessarily indicative of results to be expected for the year.

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 through numerous product types. The Association's loan portfolio consists predominantly of general cash grains (primarily soybeans, corn and wheat) and livestock and constitute about 70 percent of the entire portfolio as of March 31, 2013. The Association recognizes the commodity concentration risk exceeds normally accepted industry standards. This risk, along with the risk associated with large loans, is reduced by the range of diversity of enterprises in the Association's territory, off-farm income, utilization of crop insurance, and the use of FSA, USDA, Business and Industry and Farmer Mac loan guarantees. As of March 31, 2013 the Association had $427,369 of guaranteed loan volume, which is 33.02 percent of loans as compared to $408,050 of guaranteed volume or 34.51 percent of the portfolio at March 31, 2012. Loan guarantees reduce the potential of loss in the Association's loan portfolio and help to leverage the Association's capital.

Gross loan volume of the Association as of March 31, 2013 was $1,294,170, a decrease of $84,656 or 6.14 percent as compared to $1,378,826 at December 31, 2012. The decrease in loan volume is related to the normal, seasonal reduction in production and intermediate-term volume and a slight reduction in real estate mortgage loan volume. These decreases were offset in part by an increase in rural residential real estate loan volume. From March 31, 2012 to March 31, 2013 volume increased by $111,848 or 9.46 percent.

Net loans outstanding at March 31, 2013 were $1,276,605 as compared to $1,361,249 at December 31, 2012. Net loans accounted for 95.69 percent of total assets at March 31, 2013 as compared to 95.46 percent at December 31, 2012.

The following table summarizes the Association's risk assets (accruing volume includes accrued interest receivable):

	3/31/13	12/31/12
Nonaccrual loans	$ 33,398	$ 32,024
Restructured loans	–	16
Accruing loans 90 days or more past due	97	98
Total high risk loans	33,495	32,138
Other property owned	40	53
Total high-risk assets	$ 33,535	$ 32,191
Ratios:		
Nonaccrual loans to total loans	2.58%	2.32%
High-risk assets to total assets	2.51%	2.26%

High risk assets increased during the first three months of 2013 primarily as a result of extending operating credit to a large commercial entity in nonaccrual status.

There is an inherent risk in the extension of any type of credit, and, accordingly, the Association maintains an allowance for loan losses consistent with the risk measured in the portfolio.

General portfolio credit quality declined slightly during the first three months of 2013 but remains strong.

Credit administration is satisfactory.

During the first three months of 2013 the Association recorded a charge off of $12 and did not record a provision for loan losses. For the same period of 2012, the Association recorded charge offs of $26 and did not record a provision for loan losses. The allowance for loan losses represented 1.36 percent and 1.27 percent of loans at March 31, 2013 and December 31, 2012, respectively.

RESULTS OF OPERATIONS

For the three months ending March 31, 2013

Net income for the three months ended March 31, 2013 (Q1 2013) was $7,604, an increase of $185 or 2.49 percent when compared to the net income of $7,419 for the same period in 2012 (Q1 2012). Major changes in the components of net income when comparing Q1 2013 to Q1 2012 are identified as follows:

- No provision for loan losses was recorded in Q1 2013 or Q1 2012.

- Net interest income increased by $224 or 2.57 percent. The increase resulted primarily from earnings on increased loan volume and an increase in earnings on the Association's own funds in loans.

- Noninterest income increased by $4 or .17 percent for the following reasons:

  Equity in earnings of AgFirst Farm Credit Bank (the Bank) increased by $132 as a result of the increase in the Association's average note payable balance with the Bank and is partially offset by a decrease in patronage on accruing participations loans sold to the Bank. The average note payable balance increased as a result of the year-to-year increase in loan volume previously discussed.

  Loan fees decreased by $143 primarily due to reduced loan servicing fee income. Fees for financially related services decreased by $19 due to lower multi-peril crop insurance and appraisal income.

- Noninterest expense increased by $42 or 1.15 percent primarily due to:

  Salary and benefits expense increased by $308 due to increased expenses related to scheduled salary increases, additional employees, salary related benefits, decreased deferred loan origination costs, higher incentive payments, increased annual bonus accrual and retirement expense. Occupancy and equipment expenses increased by $20 due to increased depreciation and maintenance expenses. Insurance premium expenses increased by $108 due to increased premium rates and increased loan volume offset in part by higher guaranteed loan volume. Guarantee fees decreased by $420 due to lower initial USDA and FSA guarantee fees paid in Q1 2013 as compared to Q1 2012. Other operating expenses increased by $26 primarily as a result of higher director, communication, and office supplies.

- The provision for income taxes was $40 and $39 for Q1 2013 and Q1 2012, respectively.

CAPITAL RESOURCES

Total members' equity totaled $207,520 at March 31, 2013 as compared to $200,103 at December 31, 2012 for an increase of $7,417 or 3.71 percent. The increase is due to year-to-date earnings, more Class A preferred stock, Class C Stock and Participation Certificates offset in part by the reduction in allocated equities.

FCA regulations require all Farm Credit institutions maintain a minimum permanent capital ratio of 7.0 percent and a total surplus and core surplus ratios equal to 3.5 percent. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus by a risk-adjusted asset base. At March 31, 2013, the Association's permanent capital, total surplus and core surplus ratios equaled 20.09 percent, 18.15 percent and 16.04 percent, respectively.

REGULATORY MATTERS

For the three months ended March 31, 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: The Association obtains funding from AgFirst Farm Credit Bank (the Bank). The Association is materially affected and shareholder investment could be materially affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, *www.agfirst.com* or may be obtained at no charge by calling 1-800-845-1745, extension 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202.

Copies of the Association's Quarterly and Annual Reports are available on the Association's website, www.agcredit.net, or may be obtained upon request free of charge by calling 1-800-837-3678, extension 1023, or writing Daniel Ebert, Chief Financial Officer, Ag Credit, ACA, 610 W Lytle Street, Fostoria, OH 44830. The Association prepares an electronic version of the 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 Association.

Ag Credit Agricultural Credit Association

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2013	December 31, 2012
	(unaudited)	*(audited)*
Assets		
Cash	$ 8,160	$ 4,551
Investment securities:		
Held to maturity (fair value of $11,854 and $12,018, respectively)	11,048	11,063
Loans	1,294,170	1,378,826
Less: allowance for loan losses	17,565	17,577
Net loans	1,276,605	1,361,249
Accrued interest receivable	15,859	17,450
Investments in other Farm Credit institutions	14,668	14,668
Premises and equipment, net	4,239	4,143
Other property owned	40	53
Due from AgFirst Farm Credit Bank	2,199	10,807
Other assets	1,333	1,959
Total assets	$ 1,334,151	$ 1,425,943
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 1,104,762	$ 1,203,825
Accrued interest payable	2,174	2,243
Patronage refunds payable	667	9,413
Advanced conditional payments	3,316	1,245
Other liabilities	15,712	9,114
Total liabilities	1,126,631	1,225,840
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	18,401	18,285
Retained earnings		
Allocated	119,948	119,997
Unallocated	69,171	61,821
Total members' equity	207,520	200,103
Total liabilities and members' equity	$ 1,334,151	$ 1,425,943

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

Ag Credit Agricultural Credit Association

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2013	2012
Interest Income		
Investment securities	$ 149	$ 111
Loans	15,223	15,147
Total interest income	15,372	15,258
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,440	6,550
Net interest income	8,932	8,708
Provision for loan losses	—	—
Net interest income after provision for loan losses	8,932	8,708
Noninterest Income		
Loan fees	100	243
Fees for financially related services	28	47
Patronage refunds from other Farm Credit institutions	2,199	2,067
Gains (losses) on other property owned, net	1	(8)
Other noninterest income	70	45
Total noninterest income	2,398	2,394
Noninterest Expense		
Salaries and employee benefits	2,472	2,164
Occupancy and equipment	219	199
Insurance Fund premiums	192	84
Guarantee fees	139	559
Other operating expenses	664	638
Total noninterest expense	3,686	3,644
Income before income taxes	7,644	7,458
Provision for income taxes	40	39
Net income	7,604	7,419
Other comprehensive income	—	—
Comprehensive income	$ 7,604	$ 7,419

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

Ag Credit Agricultural Credit Association

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2011	$ 17,577	$ 109,753	$ 60,109	$ 187,439
Comprehensive income			7,419	7,419
Capital stock/participation certificates issued/(retired), net	674			674
Dividends declared/paid			(52)	(52)
Retained earnings retired		(2)		(2)
Patronage distribution adjustment		(69)	(74)	(143)
Balance at March 31, 2012	$ 18,251	$ 109,682	$ 67,402	$ 195,335
Balance at December 31, 2012	$ 18,285	$ 119,997	$ 61,821	$ 200,103
Comprehensive income			7,604	7,604
Capital stock/participation certificates issued/(retired), net	116			116
Dividends declared/paid			(47)	(47)
Retained earnings retired		(9)		(9)
Patronage distribution adjustment		(40)	(207)	(247)
Balance at March 31, 2013	$ 18,401	$ 119,948	$ 69,171	$ 207,520

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

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 Ag Credit Agricultural Credit Association (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 — INVESTMENT SECURITIES

A summary of the amortized cost and fair value of investment securities held-to-maturity at March 31, 2013 and December 31, 2012 follows:

	March 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 11,048	$ 925	$ (119)	$ 11,854	5.34%

	December 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 11,063	1,042	(87)	12,018	5.34%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity at March 31, 2013 follows:

	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	–	–	–
After ten years	11,048	11,854	5.34
Total	$ 11,048	$ 11,854	5.34%

The Association's mission-related investments consist of private placement securities purchased under the Rural America Bond Program approved by the Farm Credit Administration (FCA).

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is based on the date the impairment was first identified. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at March 31, 2013 and December 31, 2012.

	March 31, 2013			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission related Investments	$ 1,256	$ (119)	$ –	$ –

	December 31, 2012			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission related Investments	$ 1,173	$ (87)	$ –	$ –

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify any future possible loss of principal or interest due on each security identified for additional analysis. Factors considered in determining whether an impairment is other-than-temporary include among others as applicable: 1) the length of time and the extent to which the fair value is less than cost, 2) adverse conditions specifically related to the industry, 3) geographic area and the condition of the underlying collateral, 4) payment structure of the security, 5) ratings by rating agencies, 6) the credit worthiness of bond insurers, and 7) volatility of the fair value changes. Based on the results of all analyses, the Association has not recognized any other-than-temporary impairment in connection with its investment securities. The Association has the ability and intent to hold these investments until maturity and at this time expects to collect the full principal amount and interest due on these securities. The Association does not intend to sell these investments and it is not likely that the Association would be required to sell these investments before recovering its costs. No securities have been in an unrealized loss position greater than twelve months.

NOTE 3— 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	$ 658,936	$ 695,182
Production and intermediate-term	402,298	493,971
Agribusiness		
Processing and marketing	13,189	12,846
Farm-related business	18,601	19,334
Total agribusiness	31,790	32,180
Rural residential real estate	197,863	155,436
Lease receivables	3,283	2,057
Total Loans	$ 1,294,170	$ 1,378,826

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA 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	$ –	$ 7,374	$ –	$ 618	$ –	$ –	$ –	$ 7,992
Production and intermediate-term	5,625	90,114	3,291	280	–	–	8,916	90,394
Agribusiness								
Processing and marketing	–	1,667	5,055	–	5,850	–	10,905	1,667
Total agribusiness	–	1,667	5,055	–	5,850	–	10,905	1,667
Lease receivables	–	–	585	–	–	–	585	–
Total	$ 5,625	$ 99,155	$ 8,931	$ 898	$ 5,850	$ –	$ 20,406	$ 100,053

	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	$ –	$ 7,583	$ –	$ –	$ –	$ –	$ –	$ 7,583
Production and intermediate-term	5,404	76,212	3,335	–	–	–	8,739	76,212
Agribusiness								
Processing and marketing	724	1,112	5,291	–	3,900	–	9,915	1,112
Total agribusiness	724	1,112	5,291	–	3,900	–	9,915	1,112
Total	$ 6,128	$ 84,907	$ 8,626	$ –	$ 3,900	$ –	$ 18,654	$ 84,907

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 11.16 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	$ 16,995	$ 47,540	$ 594,401	$ 658,936
Production and intermediate-term	116,371	182,800	103,127	402,298
Agribusiness				
Processing and marketing	7,436	1,862	3,891	13,189
Farm-related business	2,172	2,581	13,848	18,601
Total agribusiness	9,608	4,443	17,739	31,790
Rural residential real estate	1,442	9,147	187,274	197,863
Lease receivables	36	2,654	593	3,283
Total loans	$ 144,452	$ 246,584	$ 903,134	$ 1,294,170

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
Real estate mortgage:		
Acceptable	95.96%	95.91%
OAEM	2.14	2.29
Substandard/doubtful/loss	1.90	1.80
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	87.59%	89.56%
OAEM	3.42	3.55
Substandard/doubtful/loss	8.99	6.89
	100.00%	100.00%
Agribusiness:		
Processing and marketing		
Acceptable	75.22%	67.73%
OAEM	11.34	17.88
Substandard/doubtful/loss	13.44	14.39
	100.00%	100.00%
Farm-related business		
Acceptable	96.50%	96.66%
OAEM	1.18	1.10
Substandard/doubtful/loss	2.32	2.24
	100.00%	100.00%

	March 31, 2013	December 31, 2012
Total agribusiness		
Acceptable	87.69%	85.14%
OAEM	5.38	7.78
Substandard/doubtful/loss	6.93	7.08
	100.00%	100.00%
Rural residential real estate:		
Acceptable	98.00%	98.67%
OAEM	0.67	0.57
Substandard/doubtful/loss	1.33	0.76
	100.00%	100.00%
Lease receivables:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	93.48%	93.70%
OAEM	2.39	2.67
Substandard/doubtful/loss	4.13	3.63
	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	$ 821	$ 6,527	$ 7,348	$ 660,968	$ 668,316	$ 52
Production and intermediate-term	469	23,150	23,619	383,947	407,566	45
Agribusiness						
Processing and marketing	–	–	–	13,265	13,265	–
Farm-related business	583	–	583	18,213	18,796	–
Total agribusiness	583	–	583	31,478	32,061	–
Rural residential real estate	904	308	1,212	197,487	198,699	–
Lease receivables	–	–	–	3,283	3,283	–
Total	$ 2,777	$ 29,985	$ 32,762	$ 1,277,163	$ 1,309,925	$ 97

	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	$ 3,649	$ 3,834	$ 7,483	$ 698,389	$ 705,872	$ –
Production and intermediate-term	2,637	10,054	12,691	487,184	499,875	98
Agribusiness						
Processing and marketing	–	–	–	12,920	12,920	–
Farm-related business	42	–	42	19,473	19,515	–
Total agribusiness	42	–	42	32,393	32,435	–
Rural residential real estate	912	319	1,231	154,712	155,943	–
Lease receivables	–	–	–	2,057	2,057	–
Total	$ 7,240	$ 14,207	$ 21,447	$ 1,374,735	$ 1,396,182	$ 98

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	$ 6,514	$ 6,826
Production and intermediate-term	25,363	24,382
Agribusiness		
Processing and marketing	–	–
Farm-related business	423	437
Total agribusiness	423	437
Rural residential real estate	1,098	379
Total nonaccrual loans	$ 33,398	$ 32,024
Accruing restructured loans:		
Real estate mortgage	$ –	$ 16
Total accruing restructured loans	$ –	$ 16
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 52	$ –
Production and intermediate-term	45	98
Total accruing loans 90 days or more past due	$ 97	$ 98
Total nonperforming loans	$ 33,495	$ 32,138
Other property owned	40	53
Total nonperforming assets	$ 33,535	$ 32,191
Nonaccrual loans as a percentage of total loans	2.58%	2.32%
Nonperforming assets as a percentage of total loans and other property owned	2.59%	2.33%
Nonperforming assets as a percentage of capital	16.16%	16.09%

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	$ 2,749	$ 14,603
Past due	30,649	17,421
Total impaired nonaccrual loans	33,398	32,024
Impaired accrual loans:		
Restructured	–	16
90 days or more past due	97	98
Total impaired accrual loans	97	114
Total impaired loans	$ 33,495	$ 32,138

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	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	22,419	23,182	10,143	21,841	2
Agribusiness					
Farm-related business	423	458	385	412	–
Total agribusiness	423	458	385	412	–
Rural residential real estate	794	822	252	774	–
Total	$ 23,636	$ 24,462	$ 10,780	$ 23,027	$ 2
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 6,566	$ 6,704	$ –	$ 6,397	$ –
Production and intermediate-term	2,989	2,989	–	2,913	–
Rural residential real estate	304	322	–	295	–
Total	$ 9,859	$ 10,015	$ –	$ 9,605	$ –
Total impaired loans:					
Real estate mortgage	$ 6,566	$ 6,704	$ –	$ 6,397	$ –
Production and intermediate-term	25,408	26,171	10,143	24,754	2
Agribusiness					
Farm-related business	423	458	385	412	–
Total agribusiness	423	458	385	412	–
Rural residential real estate	1,098	1,144	252	1,069	–
Total	$ 33,495	$ 34,477	$ 10,780	$ 32,632	$ 2

	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:					
Production and intermediate-term	$ 22,875	$ 23,652	$ 10,310	$ 12,575	$ 86
Agribusiness					
Farm related business	437	461	385	240	2
Total agribusiness	437	461	385	240	2
Rural residential real estate	379	382	168	208	1
Total	$ 23,691	$ 24,495	$ 10,863	13,023	89
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 6,841	$ 6,995	$ –	$ 3,761	$ 26
Production and intermediate-term	1,606	1,621	–	882	6
Total	8,447	$ 8,616	$ –	$ 4,643	$ 32
Total impaired loans:					
Real estate mortgage	$ 6,841	$ 6,995	$ –	$ 3,761	$ 26
Production and intermediate-term	24,481	25,273	10,310	13,457	92
Agribusiness					
Farm-related business	437	461	385	240	2
Total agribusiness	437	461	385	240	2
Rural residential real estate	379	382	168	208	1
Total	$ 32,138	$ 33,111	$ 10,863	$ 17,666	$ 121

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	Rural Residential Real Estate	Lease Receivables	Total
Allowance for credit losses:						
Balance at December 31, 2012	$ 893	$ 14,850	$ 1,160	$ 670	$ 4	$ 17,577
Charge-offs	–	–	–	(12)	–	(12)
Recoveries	–	–	–	–	–	–
Provision for loan losses	(24)	(181)	(39)	239	5	–
Balance at March 31, 2013	$ 869	$ 14,669	$ 1,121	$ 897	$ 9	$ 17,565
Balance at December 31, 2011	$ 1,368	$ 8,261	$ 931	$ 353	$ 4	$ 10,917
Charge-offs	–	–	–	(26)	–	(26)
Recoveries	–	–	–	–	–	–
Provision for loan losses	(226)	102	115	9	–	–
Balance at March 31, 2012	$ 1,142	$ 8,363	$ 1,046	$ 336	$ 4	$ 10,891
Loans individually evaluated for impairment	$ –	$ 10,143	$ 385	$ 252	$ –	$ 10,780
Loans collectively evaluated for impairment	869	4,526	736	645	9	6,785
Balance at March 31, 2013	$ 869	$ 14,669	$ 1,121	$ 897	$ 9	$ 17,565
Loans individually evaluated for impairment	$ –	$ 10,310	$ 385	$ 168	$ –	$ 10,863
Loans collectively evaluated for impairment	893	4,540	775	502	4	6,714
Balance at December 31, 2012	$ 893	$ 14,850	$ 1,160	$ 670	$ 4	$ 17,577
Recorded investment in loans outstanding:						
Loans individually evaluated for impairment	$ 6,515	$ 25,363	$ 423	$ 1,097	$ –	$ 33,398
Loans collectively evaluated for impairment	661,801	382,203	31,638	197,602	3,283	1,276,527
Balance at March 31, 2013	$ 668,316	$ 407,566	$ 32,061	$ 198,699	$ 3,283	$ 1,309,925
Loans individually evaluated for impairment	$ 6,826	$ 24,383	$ 436	$ 379	$ –	$ 32,024
Loans collectively evaluated for impairment	$ 699,046	$ 475,492	$ 31,999	$ 155,564	$ 2,057	$ 1,364,158
Balance at December 31, 2012	$ 705,872	$ 499,875	$ 32,435	$ 155,943	$ 2,057	$ 1,396,182

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. There were no TDRs that occurred during the three months ended March 31, 2013 or 2012.

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.

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

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

	Total TDRs		Nonaccrual TDRs	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Real estate mortgage	$ –	$ 15	$ –	$ –
Production and intermediate-term	617	696	617	696
Total Loans	$ 617	$ 711	$ 617	$ 696

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 4 — 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	$ 355	$ 327
401(k)	93	89
Other postretirement benefits	84	68
Total	$ 532	$ 484

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	$ –	$ 1,823	$ 1,823
Other postretirement benefits	45	145	190
Total	$ 45	$ 1,968	$ 2,013

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 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 5.36 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 $121.2 million for the first three months of 2013. In addition, the Association has an investment of $10 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 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.

For investment securities, the fair value is determined by discounting the expected future cash flows using extrapolated 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	$ –
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income	–
Purchases	–
Sales	–
Issuances	–
Settlements	–
Transfers in and/or out of level 3	–
Balance at March 31, 2013	$ –

	Standby Letters Of Credit
Balance at January 1, 2012	$ 1
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income	–
Purchases	–
Sales	–
Issuances	–
Settlements	–
Transfers in and/or out of level 3	–
Balance at March 31, 2012	$ 1

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.

Investment Securities

The fair values of predominantly all level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these level 3 assets.

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
Mission Related Investments	$ 11,854	Discounted cash flow	Risk adjusted spread	2.00%–8.25%
Impaired loans and other property owned	$ 22,759	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
Investment securities, held-to-maturity	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 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	$ 22,715	$ –	$ –	$ 22,715	$ 22,715	$ 71
Other property owned	40	–	–	44	44	1
Nonrecurring Assets	$ 22,755	$ –	$ –	$ 22,759	$ 22,759	$ 72
Other Financial Instruments						
Assets:						
Cash	$ 8,160	$ 8,160	$ –	$ –	$ 8,160	
Investment securities, held-to-maturity	11,048	–	–	11,854	11,854	
Loans	1,253,889	–	–	1,244,275	1,244,275	
Other Assets	$ 1,273,097	$ 8,160	$ –	$ 1,256,129	$ 1,264,289	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,104,762	$ –	$ –	$ 1,098,074	$ 1,098,074	
Other Liabilities	$ 1,104,762	$ –	$ –	$ 1,098,074	$ 1,098,074	

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	$ 21,275	$ –	$ –	$ 21,275	$ 21,275	$ (10,658)
Other property owned	53	–	–	58	58	(5)
Nonrecurring Assets	$ 21,328	$ –	$ –	$ 21,333	$ 21,333	$ (10,663)
Other Financial Instruments						
Assets:						
Cash	$ 4,551	$ 4,551	$ –	$ –	$ 4,551	
Investment securities, held-to-maturity	11,063	–	–	12,018	12,018	
Loans	1,339,974	–	–	1,331,861	1,331,861	
Other Assets	$ 1,355,588	$ 4,551	$ –	$ 1,343,879	$ 1,348,430	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,203,825	$ –	$ –	$ 1,196,401	$ 1,196,401	
Other Liabilities	$ 1,203,825	$ –	$ –	$ 1,196,401	$ 1,196,401	

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.