FIRST QUARTER 2013

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2013 quarterly report of MidAtlantic 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.

J. Robert Frazee Chief Executive Officer

√ohn E. Wheeler, Jr. Chief Financial Officer

Fred N. West

Chairman of the Board

Fred 1. West

May 9, 2013

Report on Internal Control Over Financial Reporting

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

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2013. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2013, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2013.

J. Robert FrazeeChief Executive Officer

John E. Wheeler, Jr. Chief Financial Officer

May 9, 2013

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of MidAtlantic Farm Credit, ACA (Association) for the period ended March 31, 2013. The comments contained in this report 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 were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for the financing of short- and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio encompasses a well diversified range of agricultural commodities, with cash grains, poultry and dairy representing the largest segments. In addition, the Association provides a significant amount of loans to lessors of agricultural real estate. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the opportunities for non-farm income, impacts the level of dependency on any particular commodity.

Gross loans at March 31, 2013 totaled \$2,130,336 compared to \$2,144,241 at December 31, 2012, decreasing \$13,905 (0.65 percent) during the first three months. The Association's allowance for loan losses of \$19,770 increased \$1,917 (10.74 percent) during the first three months of 2013 resulting in net loans (gross loans less allowance for loan losses) of \$2,110,566 and \$2,126,388 at March 31, 2013 and December 31, 2012, respectively. Nonaccrual loans decreased \$3,624 (8.10 percent) from \$44,739 at December 31, 2012 to \$41,115 at March 31, 2013 resulting in a decrease in the ratio of nonaccrual loans to total loans from 2.09 percent to 1.93 percent. In addition, Other property owned decreased from \$3,009 at December 31, 2012 (9 properties) to \$2,412 at March 31, 2013 (7 properties).

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. Credit administration remains satisfactory and the overall credit quality of the Association's loan portfolio has remained acceptable. A provision for loan losses of \$2,000 was recorded in the first quarter of 2013, that after giving effect to the net impact of charge-offs in excess of recoveries, increased the Association's allowance \$1,917 as of March 31, 2013. The allowance for loan losses represented 0.93 percent and 0.83 percent of total loans, and 48.08 percent and 39.90 percent of Nonaccrual loans, at March 31, 2013 and December 31, 2012, respectively. See also Note 2 of "Notes to the Consolidated Financial Statements".

RESULTS OF OPERATIONS

For the three months ended March 31, 2013

Net income for the three months ended March 31, 2013 totaled \$10,023, a decrease of \$712 (6.63 percent) compared to the three months ended March 31, 2012. Major changes in the components of net income are identified as follows:

- Net interest income decreased \$365 (2.17 percent) for the quarter ended March 31, 2013 compared to the same period in 2012. The decrease in net interest income is primarily attributable to (a) a \$304 decrease in the Association's earnings credit due to the decrease in long-term interest rates, (b) a \$210 decrease due to a decrease in the Association's portfolio margin, and (c) a \$101 decrease due to a \$23.3 million decrease in the average daily balance of accruing portfolio volume. The decrease was partially offset by a \$250 reduction in the net interest charge attributable to nonaccruing loans due to the significant reduction in Nonaccruing loan volume as compared to the first quarter of 2012.
- The risks identified in the Association's loan portfolio required a provision for loan losses of \$2,000 and \$1,750 to be recorded in the first quarter of 2013 and 2012, respectively. The Association's Nonaccrual loans decreased from 2.09 percent at December 31, 2012 to 1.93 percent of the portfolio at March 31, 2013. Nonaccrual loans as a percent of the total portfolio are the lowest since the end of the second quarter of 2009 when the percent was 1.89 percent further illustrating the continuing improvement in the quality of the Association's loan portfolio. See also

Note 2 of "Notes to the Consolidated Financial Statements".

- At March 31, 2013 and 2012, the Association accrued an estimated patronage receipt (reported as "Patronage refunds from other Farm Credit institutions" on the Consolidated Statements of Income) of \$3,397 and \$3,622, respectively, which is based on first quarter operations only; management anticipates additional income for the remaining quarters in 2013. Since this income from AgFirst Farm Credit Bank (the Bank) is reasonably estimable and because there is a history of these earnings, management is of the opinion that including this income in quarterly operations provides shareholders with a more accurate forecast of annualized net income. The decrease in the accrual in 2013 is due to the combined impact of a reduction in loan volume and an increase in the Association's equity which reduces borrowings from the Bank.
- Total Noninterest income increase in the first quarter of \$275 (6.38 percent) included (a) a net decrease of \$123 from Gains/Losses on other property owned, and (b) a \$334 increase in other noninterest income as the first quarter of 2012 included a \$250 accrual for losses on loan commitments.
- Noninterest expense for the first quarter of 2013 was \$9,005 as compared to \$8,633 for the first quarter of 2012 or an increase of \$372 (4.31 percent). The increase of \$371 (6.11 percent) for Salaries and benefits is primarily comprised of a \$170 increase in salaries expense, and a \$100 increase in employee benefits principally related to pension plan increases of \$68 and health plan increases of \$22. See also Note 3 of "Notes to the Consolidated Financial Statements".

Insurance fund premium expense increased \$183 (79.57 percent) due to the increase in the Farm Credit System Insurance Corporation (FCSIC) premium from .05 percent of loans outstanding in 2012 to .10 percent in 2013.

Occupancy and equipment and Other operating expenses decreased \$182 (7.80 percent) from \$2,333 to \$2,151. The decreases were primarily related to training, purchased services, director's expenses, and equipment and technology offset by an increase in cost of space and member related expenses.

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 Bank advances the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sectors. The Association utilizes the variable rate note to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total Notes payable to the Bank at March 31, 2013 was \$1,684,575 compared to \$1,714,965 at December 31, 2012. This decrease during the period of \$30,390 (1.77 percent) corresponds to the decrease in the Association's loan volume, receipt of prior year Bank patronage, current year net cash generated from operating activities and offset by patronage payments to stockholders.

CAPITAL RESOURCES

Members' equity at March 31, 2013 totaled \$458,059 an increase of \$7,178 (1.59 percent) compared to total members' equity of \$450,881 at December 31, 2012. Net income of \$10,023 for the three months ended March 31, 2013 and net member capital stock/participation certificates issued of \$18, an estimated cash patronage distribution accrual for the first three months of 2013 totaling \$2,525, and net patronage distribution adjustment and retained earnings retired of \$362 account for the change.

FCA regulations require that all Farm Credit institutions maintain a minimum permanent capital ratio of 7.0 percent and 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 as defined in FCA regulations, by a risk-adjusted asset base. At March 31, 2013, the Association exceeded minimum regulatory standard for all of the ratios as permanent capital, total surplus and core surplus ratios equaled 19.49 percent, 19.10 percent and 18.95 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: 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' annual and quarterly reports are also available upon request free of charge by calling 1-800-333-7950, or writing John E. Wheeler, Jr., Chief Financial Officer, MidAtlantic Farm Credit, ACA, 45 Aileron Court, Westminster, MD 21157-3022, or accessing the website, www.mafc.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.

Consolidated Balance Sheets

(dollars in thousands)	ľ	December 31, 2012			
		(unaudited)		(audited)	
Assets					
Cash	\$	2,954	\$	5,984	
Loans		2,130,336		2,144,241	
Less: allowance for loan losses		19,770		17,853	
Net loans		2,110,566		2,126,388	
Accrued interest receivable		13,162		11,772	
Investments in other Farm Credit institutions		26,453		26,367	
Premises and equipment, net		12,376		12,648	
Other property owned		2,412		3,009	
Due from AgFirst Farm Credit Bank		3,364		17,481	
Other assets		9,249		9,675	
Total assets	\$	2,180,536	\$	2,213,324	
Liabilities					
Notes payable to AgFirst Farm Credit Bank	\$	1,684,575	\$	1,714,965	
Accrued interest payable		3,333		3,427	
Patronage refunds payable		2,732		10,642	
Allocated surplus payable		184		9,678	
Other liabilities		31,653		23,731	
Total liabilities		1,722,477		1,762,443	
Commitments and contingencies					
Members' Equity					
Capital stock and participation certificates		9,516		9,498	
Retained earnings					
Allocated		237,567		239,421	
Unallocated		211,553		202,563	
Accumulated other comprehensive income (loss)		(577)		(601)	
Total members' equity		458,059		450,881	
Total liabilities and members' equity	\$	2,180,536	\$	2,213,324	

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

Consolidated Statements of Income

(unaudited)

For the three months ended March 31,

(dollars in thousands)	2013	2012
Interest Income		
Loans	26,407	28,368
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	9,962	11,558
Net interest income	16,445	16,810
Provision for loan losses	2,000	1,750
Net interest income after provision for		
loan losses	14,445	15,060
N		
Noninterest Income Loan fees	310	369
Fees for financially related services	87	49
Patronage refunds from other Farm Credit institutions	3,397	3,622
Gains (losses) on other property owned, net	52	(80)
Gains (losses) on sales of rural home loans, net	357	302
Gains (losses) on sales of premises and equipment, net	20	20
Other noninterest income	360	26
Total noninterest income	4,583	4,308
Noninterest Expense		
Salaries and employee benefits	6,441	6,070
Occupancy and equipment	655	658
Insurance Fund premiums	413	230
Other operating expenses	1,496	1,675
Total noninterest expense	9,005	8,633
Net income	\$ 10,023	\$ 10,735

Consolidated Statements of Comprehensive Income

(unaudited)

For the three months ended March 31.

	0	,			
(dollars in thousands)	2013				
Net income	\$ 10,023	\$	10,735		
Other comprehensive income net of tax Employee benefit plans adjustments	 24		(14)		
Comprehensive income	\$ 10,047	\$	10,721		

Consolidated Statements of Changes in Members' Equity

(unaudited)

	Sto	apital ock and		Retained	Ear	nings		cumulated Other	Total
(dollars in thousands)		icipation tificates	A	llocated	Un	allocated		prehensive ome (Loss)	Members' Equity
Balance at December 31, 2011 Comprehensive income	\$	9,444	\$	207,881	\$	203,892 10,735	\$	(520) (14)	\$ 420,697 10,721
Capital stock/participation certificates issued/(retired), net Patronage distribution		25							25
Cash Retained earnings retired				(278)		(3,274)			(3,274) (187)
Patronage distribution adjustment Balance at March 31, 2012	<u> </u>	9,469	Ś	1,753 209,356	\$	(1,959) 209,485	\$	(534)	(206) \$ 427,776
Building at Water of, 2012	7	0,400	<u> </u>	200,000	-	200,400	7	(004)	Ų 427,770
Balance at December 31, 2012 Comprehensive income Capital stock/participation	\$	9,498	\$	239,421	\$	202,563 10,023	\$	(601) 24	\$ 450,881 10,047
certificates issued/(retired), net Patronage distribution		18							18
Cash				6. 5.3		(2,525)			(2,525)
Retained earnings retired Patronage distribution adjustment				(161) (1,693)		52 1,440			(109) (253)
Balance at March 31, 2013	\$	9,516	\$	237,567	\$	211,553	\$	(577)	\$ 458,059

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 MidAtlantic 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 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 accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The results for the three months ended March 31, 2013, are not necessarily indicative of the results to be expected for the year ending December 31, 2013.

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

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2013, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

In February 2013 the FASB issued Accounting Standards Update (ASU) 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date," which addresses the recognition, measurement and disclosure of certain obligations including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The amendments are to be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update's scope that exist at the beginning of an entity's fiscal year of adoption. An entity may

elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in the Update) and should disclose that fact. The amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2014, and interim periods and annual periods thereafter. Early application is permitted. It is not anticipated the adoption of this guidance will have a material impact on the Association's financial condition or results of operations but will result in additional disclosures.

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

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

arrangement or similar agreement. The effective date is the same as that for ASU 2011-11 below.

In December 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with accounting guidance and for those

recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance, in conjunction with ASU 2013-01 above, will not impact the Association's financial condition or its results of operations, but will result in additional disclosures.

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

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	March 31, 2013	December 31, 2012				
Real estate mortgage	\$ 1,220,423	\$ 1,214,157				
Production and intermediate-term	732,851	779,114				
Agribusiness						
Loans to cooperatives	7,179	5,600				
Processing and marketing	41,346	24,709				
Farm-related business	 66,790	61,566				
Total agribusiness	115,315	91,875				
Communication	28,358	24,748				
Energy	5,360	5,425				
Rural residential real estate	 28,029	28,922				
Total Loans	\$ 2,130,336	\$ 2,144,241				

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

								March 3	1, 20	13								
	Within AgFirst District Within Farm Credit System Outside Farm Credit											lit System	ystem Total					
		ticipations urchased	Pa	rticipations Sold		ticipations urchased	Pai	rticipations Sold		icipations rchased	Pa	rticipations Sold	ı	Participations Purchased	Pai	ticipations Sold		
Real estate mortgage	\$	-	\$	4,223	\$	-	\$	-	\$	-	\$	-	\$	-	\$	4,223		
Production and intermediate-term		51,034		87,244		8,142		24,890		47,791		_		106,967		112,134		
Agribusiness																		
Loans to cooperatives		907		-		6,152		-		-		-		7,059		-		
Processing and marketing		2,923		_		9,375		-		9,722		-		22,020		-		
Farm-related business		6,317		-		29,090		-		3,175		-		38,582		-		
Total agribusiness		10,147		-		44,617		-		12,897		-		67,661		-		
Communication		-		_		28,415		-		-		-		28,415		_		
Energy		-		_		5,347		-		-		-		5,347		_		
Total	Ś	61 181	Ś	91 467	Ś	86 521	ς	24 890	Ś	60 688	ς	_	ς	208 390	ς	116 357		

							Decembe	r 31, 2	2012						
V	Vithin AgF	irst D	istrict	V	Vithin Farm	Cred	dit System	Ou	tside Farm	Cred	lit System		Tot	al	
Partic	ipations	Pa	rticipations	Pa	rticipations	Par	ticipations	Part	icipations	Pai	ticipations	Parti	icipations	Pai	ticipations
Purc	hased		Sold	P	urchased		Sold	Pu	ırchased		Sold	Pu	rchased		Sold
\$	-	\$	4,402	\$	-	\$	-	\$	-	\$	-	\$	-	\$	4,402
	50,655		87,735		13,104		27,281		52,789		-		116,548		115,016
	3,703		-		1,902		-		-		-		5,605		-
	4,170		-		1,706		-		-		-		5,876		-
	801		-		29,401		-		3,222		-		33,424		-
	8,674		_		33,009		-		3,222		_		44,905		_
	-		_		24,802		-		-		-		24,802		-
	-		-		5,413		-		-		-		5,413		-
\$	59,329	\$	92,137	\$	76,328	\$	27,281	\$	56,011	\$	-	\$	191,668	\$	119,418
	Partic	Participations Purchased \$ - 50,655 3,703 4,170 801 8,674	Participations Participations Purchased \$ - \$ 50,655	Purchased Sold \$ - \$ 4,402 50,655 87,735 3,703 - 4,170 - 801 - 8,674 - - - - - - - - - - -	Participations Partici	Participations Purchased Participations Sold Participations Purchased \$ - \$ 4,402 \$ - 50,655 87,735 13,104 3,703 - 1,902 4,170 - 1,706 801 - 29,401 8,674 - 33,009 - - 24,802 - 5,413	Participations Purchased Participations Sold Participations Purchased Participatio	Within AgFirst District Within Farm Credit System Participations Purchased Participations Sold Participations Purchased Participations Sold \$ - \$ 4,402 \$ - \$ - \$ 50,655 87,735 13,104 27,281 3,703 - 1,902 - 4,170 - 1,706 - 801 - 29,401 - 8,674 - 33,009 - - 24,802 - - 5,413 -	Within AgFirst District Within Farm Credit System Output Participations Purchased Participations Sold Participations Purchased Participations Sold Participations Purchased Participations Purchased Participations Purchased Participations Participations Part	Participations Purchased Participations Sold Participations Purchased Participations Sold Participations Purchased Participations Purchased Participations Purchased Purchased Purchased </td <td>Within AgFirst District Within Farm Credit System Outside Farm Credit System Participations Purchased Participations Purchased</td> <td>Within AgFirst District Within Farm Credit System Outside Farm Credit System Participations Purchased Participations Purchased Participations Purchased Participations Purchased Participations Purchased Participations Purchased Purchased Sold \$ - \$ 4,402 \$ - \$ - \$ - \$ - \$ 50,655 87,735 13,104 27,281 52,789 - 3,703 - 1,902 - - - 4,170 - 1,706 - - - 801 - 29,401 - 3,222 - 8,674 - 33,009 - 3,222 - - - 24,802 - - - - - - 5,413 - - - -</td> <td>Within AgFirst District Within Farm Credit System Outside Farm Credit System Participations Purchased Purchased Purchased Purchased Purchased Sold Purchased Purchased Participations Purchased Pur</td> <td>Within AgFirst District Within Farm Credit System Outside Farm Credit System Tot Participations Purchased Participations Purchased Participations Purchased Participations Purchased Participations Purchased Participations Purchased Purchased Purchased Sold Purchased Purchased</td> <td>Within AgFirst District Within Farm Credit System Outside Farm Credit System Total Participations Purchased <th< td=""></th<></td>	Within AgFirst District Within Farm Credit System Outside Farm Credit System Participations Purchased Participations Purchased	Within AgFirst District Within Farm Credit System Outside Farm Credit System Participations Purchased Participations Purchased Participations Purchased Participations Purchased Participations Purchased Participations Purchased Purchased Sold \$ - \$ 4,402 \$ - \$ - \$ - \$ - \$ 50,655 87,735 13,104 27,281 52,789 - 3,703 - 1,902 - - - 4,170 - 1,706 - - - 801 - 29,401 - 3,222 - 8,674 - 33,009 - 3,222 - - - 24,802 - - - - - - 5,413 - - - -	Within AgFirst District Within Farm Credit System Outside Farm Credit System Participations Purchased Purchased Purchased Purchased Purchased Sold Purchased Purchased Participations Purchased Pur	Within AgFirst District Within Farm Credit System Outside Farm Credit System Tot Participations Purchased Participations Purchased Participations Purchased Participations Purchased Participations Purchased Participations Purchased Purchased Purchased Sold Purchased Purchased	Within AgFirst District Within Farm Credit System Outside Farm Credit System Total Participations Purchased Participations Purchased <th< td=""></th<>

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 14.26 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	\$ 33,624	\$ 435,431	\$ 751,368 \$	1,220,423
Production and intermediate-term Agribusiness	189,590	359,625	183,636	732,851
Loans to cooperatives	4,793	2,386	-	7,179
Processing and marketing	22,254	16,656	2,436	41,346
Farm-related business	 19,967	36,101	10,722	66,790
Total agribusiness	47,014	55,143	13,158	115,315
Communication	28,201	177	(20)	28,358
Energy	1,595	(2)	3,767	5,360
Rural residential real estate	 3,669	11,518	12,842	28,029
Total Loans	\$ 303,693	\$ 861,892	\$ 964,751 \$	2,130,336

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	91.97%	91.73%
OAEM	4.91	4.70
Substandard/doubtful/loss	3.12	3.57
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	85.91%	87.82%
OAEM	6.58	4.90
Substandard/doubtful/loss	7.51	7.28
	100.00%	100.00%
Agribusiness: Loans to cooperatives:		
Acceptable	86.97%	88.22%
OAEM	13.03	11.78
Substandard/doubtful/loss	0.00	0.00
	100.00%	100.00%
Processing and marketing:		
Acceptable	72.73%	50.30%
OAEM	0.62	4.72
Substandard/doubtful/loss	26.65	44.98
	100.00%	100.00%
Farm-related business:		
Acceptable	99.00%	97.82%
OAEM	0.78	1.94
Substandard/doubtful/loss	0.22	0.24
	100.00%	100.00%

	March 31, 2013	December 31, 2012
Total agribusiness:		
Acceptable	88.86%	84.51%
OAEM	1.48	3.28
Substandard/doubtful/loss	9.66	12.21
	100.00%	100.00%
Communication:	100.000/	400.000/
Acceptable	100.00%	100.00%
OAEM	0.00	0.00
Substandard/doubtful/loss	0.00	0.00
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	99.47%	99.45%
OAEM	0.53	0.55
Substandard/doubtful/loss	0.00	0.00
	100.00%	100.00%
Rural residential real estate:		
Acceptable	85.70%	86.24%
OAEM	3.95	3.93
Substandard/doubtful/loss	10.35	9.83
	100.00%	100.00%
Total Loans:		
Acceptable	89.76%	90.04%
OAEM	5.21	4.64
Substandard/doubtful/loss	5.03	5.32
	100.00%	100.00%

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

				Mar	ch 31,	2013				
	Through Days Past Due	Days or e Past Due	To	otal Past Due	Le	Past Due or ss Than 30 ys Past Due	To	otal Loans	Inves Days Past	corded tment 90 or More Due and ng Interest
Real estate mortgage	\$ 7,205	\$ 11,302	\$	18,507	\$	1,209,996	\$	1,228,503	\$	429
Production and intermediate-term	2,561	7,313		9,874		727,462		737,336		4
Agribusiness										
Loans to cooperatives	75	-		75		7,121		7,196		-
Processing and marketing	-	10,737		10,737		30,656		41,393		-
Farm-related business	73	7		80		67,069		67,149		_
Total agribusiness	148	10,744		10,892		104,846		115,738		-
Communication	-	-		-		28,369		28,369		-
Energy and water/waste disposal	-	-		-		5,401		5,401		-
Rural residential real estate	238	368		606		27,545		28,151		-
Total	\$ 10,152	\$ 29,727	\$	39,879	\$	2,103,619	\$	2,143,498	\$	433

		Through Days Past Due	D Days or re Past Due	tal Past Due	Le	Past Due or ss Than 30 s Past Due	To	tal Loans	Invest Days Past I	orded ment 90 or More Due and ng Interest
Real estate mortgage	\$	7,123	\$ 11,644	\$ 18,767	\$	1,202,214	\$	1,220,981	\$	_
Production and intermediate-term		3,583	7,858	11,441		771,993		783,434		_
Agribusiness										
Loans to cooperatives		-	-	-		5,610		5,610		-
Processing and marketing		320	10,807	11,127		13,610		24,737		-
Farm-related business		83	8	91		61,914		62,005		_
Total agribusiness		403	10,815	11,218		81,134		92,352		-
Communication		-	-	-		24,753		24,753		-
Energy and water/waste disposal		-	-	-		5,467		5,467		-
Rural residential real estate		869	421	1,290		27,736		29,026		_
Total	\$	11,978	\$ 30,738	\$ 42,716	\$	2,113,297	\$	2,156,013	\$	-

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:

	N	March 31, 2013	Decen	nber 31, 2012
Nonaccrual loans:				
Real estate mortgage	\$	16,152	\$	18,922
Production and intermediate-term		12,915		13,468
Agribusiness				
Processing and marketing		11,031		11,127
Farm-related business		7		8
Total agribusiness		11,038		11,135
Rural residential real estate		1,010		1,214
Total nonaccrual loans	\$	41,115	\$	44,739
Accruing restructured loans:				
Real estate mortgage	\$	7,735	\$	7,904
Production and intermediate-term		8,195		8,137
Rural residential real estate		134		3
Total accruing restructured loans	\$	16,064	\$	16,044
Accruing loans 90 days or more past due:				
Real estate mortgage	\$	429	\$	_
Production and intermediate-term	•	4	,	_
Total accruing loans 90 days or more past due	\$	433	\$	-
Total nonperforming loans	\$	57.612	\$	60.783
Other property owned	7	2,412	4	3,009
Total nonperforming assets	\$	60,024	\$	63,792
Nonaccrual loans as a percentage of total loans Nonperforming assets as a percentage of total		1.93%		2.09%
loans and other property owned		2.81%		2.97%
Nonperforming assets as a percentage of capital		13.10%		14.15%

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.

	March 31, 2013	Dec	ember 31, 2012
Impaired nonaccrual loans:			
Current as to principal and interest	\$ 10,507	\$	10,506
Past due	30,608		34,233
Total impaired nonaccrual loans	41,115		44,739
Impaired accrual loans:			
Restructured	16,064		16,044
90 days or more past due	433		-
Total impaired accrual loans	16,497		16,044
Total impaired loans	\$ 57,612	\$	60,783

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

	1	Marc	h 31, 2013		Quarter Ended March 31, 2013				
	ecorded restment	F	Unpaid Principal Balance		delated owance	In	verage npaired Loans	Interest Incom Recognized or Impaired Loan	
Impaired loans with a related allowance for credit losses:									
Real estate mortgage	\$ 9,307	\$	11,116	\$	1,033	\$	9,617	\$	31
Production and intermediate-term	6,926		7,837		2,194		7,157		22
Agribusiness									
Processing and marketing	_		_		-		-		_
Farm-related business	7		19		2		8		_
Total agribusiness	 7		19		2		8		_
Rural residential real estate	699		818		154		722		2
Total	\$ 16,939	\$	19,790	\$	3,383	\$	17,504	\$	55
Impaired loans with no related allowance for credit losses:									
Real estate mortgage	\$ 15,009	\$	17,056	\$	-	\$	15,510	\$	48
Production and intermediate-term	14,188		18,414		-		14,661		46
Agribusiness									
Processing and marketing	11,031		14,538		-		11,399		36
Farm-related business	 -		4				(1)		-
Total agribusiness	11,031		14,542		-		11,398		36
Rural residential real estate	445		686		-		460		2
Total	\$ 40,673	\$	50,698	\$	_	\$	42,029	\$	132
Total impaired loans:									
Real estate mortgage	\$ 24,316	\$	28,172	\$	1,033	\$	25,127	\$	79
Production and intermediate-term	21,114		26,251		2,194		21,818		68
Agribusiness									
Processing and marketing	11,031		14,538		-		11,399		36
Farm-related business	7		23		2		7		-
Total agribusiness	 11,038		14,561		2		11,406		36
Rural residential real estate	1,144		1,504		154		1,182		4
Total	\$ 57,612	\$	70,488	\$	3,383	\$	59,533	\$	187

		De		er 31, 201	2				December 31, 2012		
		corded estment	Pı	Inpaid rincipal alance		elated owance	In	verage ipaired Loans	Recog	st Income gnized on red Loans	
Impaired loans with a related allowance for credit losses:											
Real estate mortgage	\$	6,531	\$	7,616	\$	651	\$	7,759	\$	154	
Production and intermediate-term Agribusiness		4,377		4,886		1,662		5,200		103	
Processing and marketing		-		-		-		-		-	
Farm-related business		8		20		2		10		_	
Total agribusiness		8		20		2		10		-	
Rural residential real estate		530		641		95	-	629		12	
Total	\$	11,446	\$	13,163	\$	2,410	\$	13,598	\$	269	
Impaired loans with no related allowance for credit losses:											
Real estate mortgage	\$	20,295	\$	24,206	\$	-	\$	24,112	\$	476	
Production and intermediate-term Agribusiness		17,228		22,279		-		20,468		405	
Processing and marketing		11,127		14,679		_		13,220		261	
Farm-related business		-		4		_		(1)		-	
Total agribusiness		11,127		14.683				13,219		261	
Rural residential real estate		687		924		_		817		17	
Total	\$	49,337	\$	62,092	\$	-	\$	58,616	\$	1,159	
Total impaired loans:											
Real estate mortgage	Ś	26.826	Ś	31.822	Ś	651	\$	31.871	Ś	630	
Production and intermediate-term	7	21,605	~	27.165	-	1.662	4	25.668	7	508	
Agribusiness		,0		,		-,					
Processing and marketing		11,127		14,679		_		13,220		261	
Farm-related business		. 8		24		2		9		-	
Total agribusiness		11,135		14,703		2		13,229		261	
Rural residential real estate		1,217		1,565		95		1,446		29	
Total	\$	60,783	Ś	75,255	Ś	2.410	\$	72,214	\$	1,428	

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:

		eal Estate Nortgage		oduction and termediate- term	Ag	ribusiness	Co	mmunication	Wa	nergy and ater/Waste Disposal		Rural esidential eal Estate		Total
Allowance for credit losses:														
Balance at December 31, 2012 Charge-offs	\$	4,854 (264)	\$	11,867	\$	725 -	\$	62 -	\$	31 -	\$	314	\$	17,853 (264)
Recoveries Provision for loan losses		39 (1,235)		139 3,652		- (422)		(20)		(25)		3 50		181 2,000
Balance at March 31, 2013	\$	3,394	\$	15,658	\$	303	Ś	42	\$	6	Ś	367	\$	19,770
Dalance at Waren 31, 2013	ڔ	0,004	ڔ	13,030	ڔ	303	ڔ	42	ڔ	U	ڔ	307	ڔ	13,770
Balance at December 31, 2011 Charge-offs	\$	2,300 (22)	\$	7,564 (38)	\$	874 (101)	\$	15 -	\$	22	\$	300 (52)	\$	11,075 (213)
Recoveries		18		105		-		-		-		2		125
Provision for loan losses		1		1,586		70		(1)		2		92		1,750
Balance at March 31, 2012	\$	2,297	\$	9,217	\$	843	\$	14	\$	24	\$	342	\$	12,737
Loans individually evaluated for impairment	\$	1,033	\$	2,194	\$	2	\$	-	\$	-	\$	154	\$	3,383
Loans collectively evaluated for impairment		2,361		13,464		301		42		6		213		16,387
Balance at March 31, 2013	\$	3,394	\$	15.658	Ś	303	Ś	42	Ś	6	Ś	367	Ś	19,770
Bulance at March 51, 2515		0,001	7	10,000	7	000	7		7		7	00,	7	10,770
Loans individually evaluated for impairment	\$	651	\$	1,662	\$	2	\$	-	\$	-	\$	95	\$	2,410
Loans collectively evaluated for impairment		4,203	\$	10,205	\$	723	\$	62	\$	31	\$	219	\$	15,443
Balance at December 31, 2012	\$	4,854	\$	11,867	\$	725	\$	62	\$	31	\$	314	\$	17,853
Recorded investment in loans outsta	ınding	g:												
Loans individually evaluated for impairment	\$	16,151	\$	12,916	\$	11,038	\$	-	\$	_	\$	1,011	\$	41,116
Loans collectively evaluated for		1 010 050		704 400		104 700		00.000		F 401		07.140		0.100.000
impairment Ending balance at March 31, 2013	\$	1,212,352 1,228,503	\$	724,420 737,336	\$	104,700 115,738	Ś	28,369 28,369	Ś	5,401 5,401	\$	27,140 28,151	Ś	2,102,382 2,143,498
Ending balance at March 31, 2013	\$	1,228,503	Ş	/3/,336	Ş	115,738	Ş	28,369	Ş	5,401	Ş	28,131	Ş	2,143,498
Loans individually evaluated for impairment	\$	18,922	\$	13,468	\$	11,135	\$	_	\$	_	\$	1,214	\$	44,739
Loans collectively evaluated for		·							•		·		•	,
impairment		1,202,059		769,966		81,217		24,753		5,467		27,812		2,111,274
Ending balance at December 31, 2012	\$	1,220,981	\$	783,434	\$	92,352	\$	24,753	\$	5,467	\$	29,026	\$	2,156,013

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 s of the restructuring date that occurred during the periods presented.

			Thre	e months en	ded	March 31, 2013								
		Pre-modification Outstanding Recorded Investment												
	In	terest	P	rincipal		Other								
	Con	cessions	Co	ncessions		Concessions		Total						
Troubled debt restructurings:														
Real estate mortgage	\$	-	\$	351	\$	-	\$	351						
Production and intermediate-term		_		2,449		-		2,449						
Rural residential real estate		130		-		=		130						
Total	\$	130	\$	2,800	\$	-	\$	2,930						

				Three months er	ıded	March 31, 2013				
Post-m	odificat	ion Outsta	ndin	g Recorded Inves	tmer	ıt		Effects of M	odifica	tion
 				Other Concessions		Total	Pro	ovisions	Cha	rge-offs
\$ -	\$	341	\$	-	\$	341	\$	_	\$	-
-		2,450		-		2,450		(61)		-
131		-		-		131		-		-
\$ 131	\$	2,791	\$	_	\$	2,922	\$	(61)	\$	-
	Interest Concessions \$ - - 131	Interest Concessions Pr Concessions \$ - \$ - 131	Interest Concessions Principal Concessions \$ - \$ 341 - 2,450 131 -	Interest Concessions Principal Concessions \$ - \$ 341 \$ 2,450 \$ 131	Post-modification Outstanding Recorded Invest	Post-modification Outstanding Recorded Investment Interest Concessions	Post-modification Outstanding Recorded Investment Interest Principal Other Concessions Total	Post-molification Outstanding Recorded Investment	Post-wolfication Outstanding Recorded Investment Effects of M Interest Concessions Principal Concessions Other Concessions Provisions \$ - \$ 341 \$ - \$ 341 \$ - - 2,450 - 2,450 (61) 131 - - 131 -	Interest Concessions Principal Concessions Other Concessions Total Provisions Charter Charter \$ - \$ 341 \$ - \$ 341 \$ - \$ - \$ 341 \$ - \$ - \$ 5 \$ 61)

			Thre	ee months end	ded	March 31, 2012									
		Pre-modification Outstanding Recorded Investment													
	In	Interest Principal Other													
	Con	cessions	Co	oncessions		Concessions	Total								
Troubled debt restructurings:															
Real estate mortgage	\$	-	\$	1,666	\$	-	\$	1,666							
Production and intermediate-term		1,055		5,899		-		6,954							
Total	\$	1,055	\$	7,565	\$	-	\$	8,620							

Three months ended March 31, 2012

	Post-m	odifica	tion Outstaı	nding	g Recorded In	ı	Ef	tion				
	nterest ncessions		incipal cessions		Other Concessions			Total	Dros	isions	Cha	rge-offs
Troubled debt restructurings:	icessions				Concessions		_			risions	. Unia	ige-ons
Real estate mortgage Production and intermediate-term	\$ - 1,055	\$	1,684 5,881	\$		_	\$	1,684 6,936	\$	630	\$	
Total	\$ 1,055	\$	7,565	\$		-	\$	8,620	\$	630	\$	-

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

	Marc	ch 31,	
	2013		2012
Defaulted troubled debt restructurings:			
Real estate mortgage	\$ 1,096	\$	529
Production and intermediate-term	383		4,872
Total	\$ 1,479	\$	5,401

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

		Tota	ıl TDR	s		TDRs			
	N	larch 31, 2013	Dec	ember 31, 2012	N	larch 31, 2013	December 31 2012		
Real estate mortgage	\$	10,513	\$	10,780	\$	2,778	\$	2,876	
Production and intermediate-term Agribusiness		10,753		10,695		2,558		2,558	
Processing and marketing		7,478		7,478		7,478		7,478	
Total agribusiness		7,478		7,478		7,478		7,478	
Rural residential real estate		458		334		324		331	
Total Loans	\$	29,202	\$	29,287	\$	13,138	\$	13,243	

Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings was \$50 and \$1 at March 31, 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:

		hree months March 31,
	2013	2012
Pension	\$ 1,509	\$ 1,441
401(k)	135	130
Other postretirement benefits	228	188
Total	\$ 1,872	\$ 1,759

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

	Th	ctual /TD rough 31/13	Projected Contributions For Remainder of 2013	Projected Total Contributions 2013
Pension Other postretirement benefits	\$	3 120	\$ 5,672 395	\$ 5,675 515
Total	\$	123	\$ 6,067	\$ 6,190

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

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

NOTE 4 – FAIR VALUE MEASUREMENT

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

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

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 9.33 percent of the issued stock of the Bank as of March 31, 2013 net of any reciprocal investment. As of that date, the Bank's assets totaled \$27.7 billion and shareholders' equity totaled \$2.4 billion. The Bank's earnings were \$121 million for the first three months of 2013. In addition, the Association has an investment of \$962 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 March 31, 2013 consist of assets held in trust funds related to deferred compensation and supplemental retirement plans. 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 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.

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	\$ 162	
Total gains or (losses) realized/unrealized:		
Included in earnings	-	
Included in other comprehensive income	-	
Purchases	-	
Sales	-	
Issuances	-	
Settlements	(18)	
Transfers in and/or out of level 3	 -	
Balance at March 31, 2013	\$ 144	

	Standby Letters Of Credit
Balance at January 1, 2012	\$ 99
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive income	-
Purchases	-
Sales	-
Issuances	-
Settlements	(36)
Transfers in and/or out of level 3	 -
Balance at March 31, 2012	\$ 63

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

	Fa	ir Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	\$	56,939	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
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:												
Assets held in Trust funds	\$	1,085	\$	1,085	\$	-	\$	-	\$	1,085		
Recurring Assets	\$	1,085	\$	1,085	\$		\$		\$	1,085		
Liabilities:												
Standby letters of credit	\$	144	\$	_	\$	-	\$	144	\$	144		
Recurring Liabilities	\$	144	\$	-	\$	-	\$	144	\$	144		
Nonrecurring Measurements												
Assets:												
Impaired loans	\$	54,229	\$	-	\$	-	\$	54,229	\$	54,229	\$	(1,056)
Other property owned		2,412		_		_		2,710		2,710		80
Nonrecurring Assets	\$	56,641	\$	-	\$	_	\$	56,939	\$	56,939	\$	(976)
Other Financial Instruments Assets:												
Cash	\$	2,954	\$	2,954	\$	_	\$	_	\$	2,954		
Loans	·	2,056,337	·	_		-	•	2,063,094	•	2,063,094		
Other Assets	\$	2,059,291	\$	2,954	\$	-	\$	2,063,094	\$	2,066,048		
Liabilities:												
Notes payable to AgFirst Farm Credit Bank	\$	1,684,575	\$	_	\$	-	\$	1,688,314	\$	1,688,314		
Other Liabilities	\$	1,684,575	\$	-	\$	-	\$	1,688,314	\$	1,688,314		

	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 Trust funds	\$	1,049	\$	1,049	\$	_	\$	_	\$	1,049		
Recurring Assets	\$	1,049	\$	1,049	\$	-	\$	-	\$	1,049		
Liabilities:												
Standby letters of credit	\$	162	\$	-	\$	-	\$	162	\$	162		
Recurring Liabilities	\$	162	\$	-	\$	-	\$	162	\$	162		
Nonrecurring Measurements												
Assets:												
Impaired loans	\$	58,373	\$	-	\$	-	\$	58,373	\$	58,373	\$	(2,161)
Other property owned		3,009		_		_		3,366		3,366		(902)
Nonrecurring Assets	\$	61,382	\$	-	\$	-	\$	61,739	\$	61,739	\$	(3,063)
Other Financial Instruments												_
Assets:												
Cash	\$	5,984	\$	5,984	\$	-	\$	-	\$	5,984		
Loans		2,068,015		-		-		2,077,497		2,077,497		
Other Assets	\$	2,073,999	\$	5,984	\$	-	\$	2,077,497	\$	2,083,481		
Liabilities:												
Notes payable to AgFirst Farm Credit Bank	\$	1,714,965	\$	_	\$	_	\$	1,721,140	\$	1,721,140		
Other Liabilities	\$	1,714,965	\$	-	\$	-	\$	1,721,140	\$	1,721,140		

NOTE 5 - ACCUMULATED OTHER COMPREHENSIVE INCOME

	Employee Benefit Plans				
Balance at December 31, 2012	\$	(601)			
Other comprehensive income before reclassifications		_			
Amounts reclassified from AOCI		24			
Net current period other comprehensive income		24			
Balance at March 31, 2013	\$	(577)			
Balance at December 31, 2011	\$	(520)			
Other comprehensive income before reclassifications		(33)			
Amounts reclassified from AOCI		19			
Net current period other comprehensive income		(14)			
Balance at March 31, 2012	\$	(534)			

	Reclassifications Out of Accumulated Other Comprehensive Income (b)							
			For the	three months en	ded March 31,			
	20	13	:	2012	Income Statement Line Item			
Defined Benefit Pension Plans:								
Periodic pension costs	\$	(24)	\$	(19)	See footnote 3.			
Net amounts reclassified	\$	(24)	\$	(19)				

⁽a) Amounts in parentheses indicate debits to AOCI.

NOTE 6 – SUBSEQUENT EVENTS

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

⁽b) Amounts in parentheses indicate debits to profit/loss.