First South Farm Credit, ACA

THIRD QUARTER 2013

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2013 quarterly report of First South 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.

Daniel P. Viator
Chairman of the Board

Roger F. Chappell
Chief Executive Officer

Bryan Applewhite
Chief Financial Officer

November 7, 2013

First South Farm Credit, ACA

Report on Internal Control Over Financial Reporting

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

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements. The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of September 30, 2013. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

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

Roger F. Chappell

Roger F. Chappell
Chief Executive Officer

Bryan Applewhite

Bryan Applewhite
Chief Financial Officer

November 7, 2013

First South Farm Credit, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of *First South Farm Credit, ACA* (Association) for the period ended September 30, 2013. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2012 Annual Report of the Association. 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 financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including poultry, cotton, livestock and forestry. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

Comparison of September 30, 2013 to December 31, 2012

The gross loan volume of the Association as of September 30, 2013, was $1,376,672, an increase of $53,485, as compared to $1,323,187 at December 31, 2012. Net loans outstanding at September 30, 2013, were $1,369,373 as compared to $1,315,648 at December 31, 2012. Net loans accounted for 91.45 percent of total assets at September 30, 2013, as compared to 91.19 percent of total assets at December 31, 2012. The increased loan volume at September 30, 2013 was primarily attributable seasonal lending within the portfolio.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased to $9,549 at September 30, 2013 from $9,368 at December 31, 2012, an increase of $181.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at September 30, 2013, was $7,299 compared to $7,539 at December 31, 2012, and was considered by management to be adequate to cover possible losses.

RESULTS OF OPERATIONS

For the three months ended September 30, 2013

Net income for the three months ended September 30, 2013, totaled $7,618, as compared to $8,237 for the same period in 2012. This decrease in net income relates to primarily a reduction of net interest income after provision for loan losses of $554. In addition earnings were further pressured by increases in the noninterest expense categories, offset by increases in the noninterest income categories, both of which will be further explained below.

Noninterest income for the three months ended September 30, 2013 totaled $5,192, as compared to $4,766 for the same period of 2012, an increase of $426. The increase is primarily the result of increased patronage refunds from other farm credit institutions of $344, an increase in loan fees of $44, an increase in gains on sales of premises and equipment of $23 and an increase in fees for financially related services of $17.

Noninterest expense for the three months ended September 30, 2013 increased $553 compared to the same period of 2012. The increase is attributable to an increase in salaries and employee benefits of $297, an increase in Insurance Fund premiums of $133, an increase in other operating expenses of $80 and increase of occupancy and equipment of $43.

The Association recorded a provision for loan losses of $208 for the three months ended September 30, 2013, compared to a provision for loan losses $105 for the same period in 2012. The Association also recorded a provision for income taxes of $5 for the three months ended September 30, 2013, compared to a provision of $67 for the same period of 2012.

For the nine months ended September 30, 2013

Net income for the nine months ended September 30, 2013, totaled $20,890, as compared to $23,280 for the same period in 2012. This decrease of $2,390 primarily relates to the absence of the Insurance Fund refund in 2013 compared to $1,163 for the Insurance Fund refund in 2012.

Noninterest income for the nine months ended September 30, 2013, totaled $15,051, as compared to $15,661 for the same period of 2012, a decrease of $610. The decrease again is primarily the result of the absence of an Insurance Fund refund in 2013 versus 2012. This decrease was partially offset by an increase in loan fees of $310, decreased losses in other property owned of $192 and an increase in other noninterest income of $56.

Noninterest expense for the nine months ended September 30, 2013, increased $1,852 compared to the same period of 2012. The increases in noninterest expense were due to an increase in salaries and employee benefits of $871, an increase of $548 in other operating expenses, an increase in Insurance Fund premiums of $362 along with an increase of $71 in occupancy and equipment.

The Association recorded a provision for loan losses of $155 for the nine months ended September 30, 2013, compared to a provision of $1,041 for the same period in 2012. The Association also recorded a provision for income taxes of $58 and $120 for the nine month periods ended September 30, 2013 and 2012, respectively.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the AgFirst Farm Credit Bank (Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2013 was $1,159,571 as compared to $1,106,869 at December 31, 2012, an increase of $52,702. The increase in notes payable from December 31, 2012 to September 30, 2013 is primarily related seasonal lending needs within the portfolio offset by an increase in loan participations with the Bank

CAPITAL RESOURCES

Total members' equity at September 30, 2013 and December 31, 2012 was $286,121 and $272,702, respectively. The increase of $13,419 from December 31, 2012 to September 30, 2013 is primarily attributable to an increase in allocated and unallocated retained earnings of $17,273, a reduction in the amortization of accumulated other comprehensive loss of $1,951, partially offset by a decrease in capital stock and participation certificates of $5,805. The decrease in capital stock and participation certificates is mainly related to the January 2013 reduction in the stock requirement on loans from the lessor of 2% of the loan or $5,000 to the lessor of 2% of the loan or $1,000.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of September 30, 2013, the Association's permanent capital ratio, total surplus ratio and core surplus ratio were 15.81, 15.00 and 14.29 percent, respectively. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

For the nine months ended September 30, 2013, the FCA took no enforcement action against the Association.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

STOCKHOLDER INVESTMENT

Stockholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst Farm Credit Bank's Quarterly and Annual 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 Annual and Quarterly reports are also on the Association's website, *www.firstsouthland.com*, or may be obtained upon request free of charge by calling 1-800-955-1722 or writing Bryan Applewhite, First South Farm Credit, ACA, 574 Highland Colony Parkway, Suite 100, Ridgeland, MS 39157. 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.

First South Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2013	December 31, 2012
	(unaudited)	*(audited)*
Assets		
Cash	$ 6,761	$ 8,758
Loans	1,376,672	1,323,187
Less: allowance for loan losses	7,299	7,539
Net loans	1,369,373	1,315,648
Accrued interest receivable	15,211	12,544
Investments in other Farm Credit institutions	83,729	77,736
Premises and equipment, net	8,380	8,065
Other property owned	1,148	973
Due from AgFirst Farm Credit Bank	11,375	17,378
Other assets	1,456	1,643
Total assets	$ 1,497,433	$ 1,442,745
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 1,159,571	$ 1,106,869
Accrued interest payable	2,261	2,255
Patronage refunds payable	4	8,593
Other liabilities	49,476	52,326
Total liabilities	1,211,312	1,170,043
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	61,901	67,706
Retained earnings		
Allocated	136,573	140,146
Unallocated	119,050	98,204
Accumulated other comprehensive income (loss)	(31,403)	(33,354)
Total members' equity	286,121	272,702
Total liabilities and members' equity	$ 1,497,433	$ 1,442,745

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

First South Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Interest Income				
Loans	$ 17,457	$ 18,333	$ 49,315	$ 51,898
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	6,869	7,294	19,260	20,967
Net interest income	10,588	11,039	30,055	30,931
Provision for loan losses	208	105	155	1,041
Net interest income after provision for loan losses	10,380	10,934	29,900	29,890
Noninterest Income				
Loan fees	641	597	2,336	2,026
Fees for financially related services	362	345	444	417
Patronage refunds from other Farm Credit institutions	4,215	3,871	12,181	12,236
Gains (losses) on other property owned, net	(47)	(45)	(120)	(312)
Gains (losses) on sales of premises and equipment, net	21	(2)	21	(2)
Insurance Fund refunds	–	–	–	1,163
Other noninterest income	–	–	189	133
Total noninterest income	5,192	4,766	15,051	15,661
Noninterest Expense				
Salaries and employee benefits	5,457	5,160	16,555	15,684
Occupancy and equipment	420	377	1,184	1,113
Insurance Fund premiums	273	140	750	388
Other operating expenses	1,799	1,719	5,514	4,966
Total noninterest expense	7,949	7,396	24,003	22,151
Income before income taxes	7,623	8,304	20,948	23,400
Provision for income taxes	5	67	58	120
Net income	$ 7,618	$ 8,237	$ 20,890	$ 23,280

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

First South Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Net income	$ 7,618	$ 8,237	$ 20,890	$ 23,280
Other comprehensive income net of tax				
Employee benefit plans adjustments (Note 7)	651	611	1,951	1,832
Comprehensive income	$ 8,269	$ 8,848	$ 22,841	$ 25,112

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

First South Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2011	$ 66,685	$ 124,862	$ 94,299	$ (30,176)	$ 255,670
Comprehensive income			23,280	1,832	25,112
Capital stock/participation certificates issued/(retired), net	765				765
Retained earnings retired		(4,031)			(4,031)
Patronage distribution adjustment		(221)	392		171
Balance at September 30, 2012	$ 67,450	$ 120,610	$ 117,971	$ (28,344)	$ 277,687
Balance at December 31, 2012	$ 67,706	$ 140,146	$ 98,204	$ (33,354)	$ 272,702
Comprehensive income			20,890	1,951	22,841
Capital stock/participation certificates issued/(retired), net	(5,805)				(5,805)
Retained earnings retired		(3,710)	7		(3,703)
Patronage distribution adjustment		137	(51)		86
Balance at September 30, 2013	$ 61,901	$ 136,573	$ 119,050	$ (31,403)	$ 286,121

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

First South Farm Credit, ACA

Notes to the Consolidated Financial Statements

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

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

Organization

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

Basis of Presentation

In the opinion of management, 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.

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

The results of any interim period are not necessarily indicative of the results to be expected for a full year.

Significant Accounting Policies

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified.

Recently Issued Accounting Pronouncements

In February 2013 the Financial Accounting Standards Board (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 ASU'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 ASU) 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 could 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 ASU is intended to improve the transparency of reporting reclassifications out of accumulated other comprehensive income (AOCI). 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 ASU 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, did not impact the Association’s financial condition or its results of operations, but did 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

For a complete description of the Association’s accounting for loans (including impaired loans and the allowance for loan losses) and definitions of loan types, see the 2012 Annual Report to Shareholders.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	September 30, 2013	December 31, 2012
Real estate mortgage	$ 455,711	$ 416,750
Production and intermediate-term	854,905	833,897
Loans to cooperatives	3,205	9,278
Processing and marketing	41,058	39,080
Farm-related business	7,673	8,366
Communication	11,841	13,534
Rural residential real estate	2,279	2,282
Total Loans	$ 1,376,672	$ 1,323,187

A substantial portion of the Association’s lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

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 (FCA) regulations. The following tables present participation loan balances at periods ended:

	September 30, 2013							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 2,560	$ 81,525	$ –	$ –	$ 53,831	$ –	$ 56,391	$ 81,525
Production and intermediate-term	2,017	184,260	9,000	–	24,028	–	35,045	184,260
Loans to cooperatives	–	430	–	–	3,175	–	3,175	430
Processing and marketing	19,105	439	–	5,023	5,703	–	24,808	5,462
Farm-related business	–	177	–	–	147	–	147	177
Communication	11,841	–	–	–	–	–	11,841	–
Rural residential real estate	–	–	–	–	49	–	49	–
Total	$ 35,523	$ 266,831	$ 9,000	$ 5,023	$ 86,933	$ –	$ 131,456	$ 271,854

	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	$ 3,341	$ 44,071	$ –	$ –	$ 62,322	$ –	$ 65,663	$ 44,071
Production and intermediate-term	4,300	155,299	17,317	–	23,930	–	45,547	155,299
Loans to cooperatives	–	430	4,704	–	3,597	–	8,301	430
Processing and marketing	16,438	499	–	3,765	3,418	–	19,856	4,264
Farm-related business	–	553	–	–	421	817	421	1,370
Communication	13,538	–	–	–	–	–	13,538	–
Rural residential real estate	–	–	–	–	51	–	51	–
Total	$ 37,617	$ 200,852	$ 22,021	$ 3,765	$ 93,739	$ 817	$ 153,377	$ 205,434

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 the latest period end:

	September 30, 2013			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 26,060	$ 139,396	$ 290,255	$ 455,711
Production and intermediate-term	212,546	311,543	330,816	854,905
Loans to cooperatives	119	2,304	782	3,205
Processing and marketing	21,111	12,011	7,936	41,058
Farm-related business	1,840	5,735	98	7,673
Communication	1,835	8,251	1,755	11,841
Rural residential real estate	320	483	1,476	2,279
Total Loans	$ 263,831	$ 479,723	$ 633,118	$ 1,376,672
Percentage	19.16%	34.85%	45.99%	100.00%

The following table shows loans and related accrued interest, classified under the FCA Uniform Loan Classification System, as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2013	December 31, 2012
Real estate mortgage:		
Acceptable	91.82%	90.12%
OAEM	3.41	3.79
Substandard/doubtful/loss	4.77	6.09
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	92.43%	93.30%
OAEM	4.33	3.76
Substandard/doubtful/loss	3.24	2.94
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	95.94%
OAEM	–	4.06
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	85.98%	91.20%
OAEM	14.02	8.80
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	September 30, 2013	December 31, 2012
Farm-related business:		
Acceptable	91.98%	80.22%
OAEM	8.02	10.02
Substandard/doubtful/loss	–	9.76
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	79.61%	78.76%
OAEM	4.23	4.15
Substandard/doubtful/loss	16.16	17.09
	100.00%	100.00%
Total Loans:		
Acceptable	92.09%	92.21%
OAEM	4.29	3.93
Substandard/doubtful/loss	3.62	3.86
	100.00%	100.00%

The following tables provide an age analysis of past due loans and related accrued interest as of:

	September 30, 2013					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,344	$ 504	$ 1,848	$ 458,467	$ 460,315	$ –
Production and intermediate-term	1,531	3,761	5,292	859,891	865,183	–
Loans to cooperatives	–	–	–	3,257	3,257	–
Processing and marketing	–	–	–	41,180	41,180	–
Farm-related business	–	–	–	7,780	7,780	–
Communication	–	–	–	11,867	11,867	–
Rural residential real estate	192	–	192	2,109	2,301	–
Total	$ 3,067	$ 4,265	$ 7,332	$ 1,384,551	$ 1,391,883	$ –

	December 31, 2012					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,935	$ 3,929	$ 5,864	$ 414,538	$ 420,402	$ –
Production and intermediate-term	1,493	2,420	3,913	838,568	842,481	–
Loans to cooperatives	–	–	–	9,345	9,345	–
Processing and marketing	–	–	–	39,178	39,178	–
Farm-related business	–	–	–	8,491	8,491	–
Communication	–	–	–	13,543	13,543	–
Rural residential real estate	171	–	171	2,120	2,291	–
Total	$ 3,599	$ 6,349	$ 9,948	$ 1,325,783	$ 1,335,731	$ –

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, 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:

	September 30, 2013	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	$ 3,753	$ 4,647
Production and intermediate-term	5,424	4,501
Rural residential real estate	372	220
Total nonaccrual loans	$ 9,549	$ 9,368
Accruing restructured loans:		
Real estate mortgage	$ 4,800	$ 1,491
Production and intermediate-term	7,847	5,996
Rural residential real estate	–	–
Total accruing restructured loans	$ 12,647	$ 7,487
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 22,196	$ 16,855
Other property owned	1,148	973
Total nonperforming assets	$ 23,344	$ 17,828
Nonaccrual loans as a percentage of total loans	0.69%	0.71%
Nonperforming assets as a percentage of total loans and other property owned	1.69%	1.35%
Nonperforming assets as a percentage of capital	8.16%	6.54%

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.

	September 30, 2013	December 31, 2012
Impaired nonaccrual loans:		
Current as to principal and interest	$ 4,915	$ 2,716
Past due	4,634	6,652
Total impaired nonaccrual loans	9,549	9,368
Impaired accrual loans:		
Restructured	12,647	7,487
90 days or more past due	–	–
Total impaired accrual loans	12,647	7,487
Total impaired loans	$ 22,196	$ 16,855

The following tables present additional impaired loan information at period end.

	September 30, 2013			Quarter Ended September 30, 2013		Nine Months Ended September 30, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	$ 2,892	$ 3,593	$ 830	$ 2,705	$ 1	$ 2,480	$ 7
Production and intermediate-term	3,768	3,856	644	3,526	1	3,231	9
Rural residential real estate	–	–	–	–	–	–	–
Total	$ 6,660	$ 7,449	$ 1,474	$ 6,231	$ 2	$ 5,711	$ 16
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	$ 5,661	$ 5,962	$ –	$ 5,298	$ 2	$ 4,855	$ 13
Production and intermediate-term	9,503	12,285	–	8,891	4	8,150	23
Farm-related business	–	5	–	–	–	–	–
Rural residential real estate	372	373	–	348	–	319	1
Total	$ 15,536	$ 18,625	$ –	$ 14,537	$ 6	$ 13,324	$ 37
Total Impaired Loans							
Real estate mortgage	$ 8,553	$ 9,555	$ 830	$ 8,003	$ 3	$ 7,335	$ 20
Production and intermediate-term	13,271	16,141	644	12,417	5	11,381	32
Farm-related business	–	5	–	–	–	–	–
Rural residential real estate	372	373	–	348	–	319	1
Total	$ 22,196	$ 26,074	$ 1,474	$ 20,768	$ 8	$ 19,035	$ 53

	December 31, 2012			Year Ended December 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 3,737	$ 4,342	$ 2,131	$ 2,751	$ 21
Production and intermediate-term	2,446	2,860	446	1,800	13
Total	$ 6,183	$ 7,202	$ 2,577	$ 4,551	$ 34
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,401	$ 2,719	$ –	$ 1,767	$ 12
Production and intermediate-term	8,051	10,785	–	5,926	45
Farm-related business	–	8	–	–	–
Rural residential real estate	220	211	–	162	1
Total	$ 10,672	$ 13,723	$ –	$ 7,855	$ 58
Total Impaired Loans					
Real estate mortgage	$ 6,138	$ 7,061	$ 2,131	$ 4,518	$ 33
Production and intermediate-term	10,497	13,645	446	7,726	58
Farm-related business	–	8	–	–	–
Rural residential real estate	220	211	–	162	1
Total	$ 16,855	$ 20,925	$ 2,577	$ 12,406	$ 92

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 for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for credit losses:							
Balance at June 30, 2013	$ 3,066	$ 3,875	$ 197	$ 16	$ –	$ 29	$ 7,183
Charge-offs	–	(96)	–	–	–	–	(96)
Recoveries	–	4	–	–	–	–	4
Provision for loan losses	(16)	279	(55)	1	–	(1)	208
Balance at September 30, 2013	$ 3,050	$ 4,062	$ 142	$ 17	$ –	$ 28	$ 7,299
Balance at December 31, 2012	$ 4,168	$ 3,162	$ 167	$ 18	$ –	$ 24	$ 7,539
Charge-offs	(90)	(342)	–	–	–	–	(432)
Recoveries	–	37	–	–	–	–	37
Provision for loan losses	(1,028)	1,205	(25)	(1)	–	4	155
Balance at September 30, 2013	$ 3,050	$ 4,062	$ 142	$ 17	$ –	$ 28	$ 7,299
Balance at June 30, 2012	$ 3,929	$ 3,394	$ 217	$ 15	$ –	$ 18	$ 7,573
Charge-offs	(8)	(33)	–	–	–	–	(41)
Recoveries	173	17	–	–	–	–	190
Provision for loan losses	13	5	83	1	–	3	105
Balance at September 30, 2012	$ 4,107	$ 3,383	$ 300	$ 16	$ –	$ 21	$ 7,827
Balance at December 31, 2011	$ 3,803	$ 2,969	$ 90	$ 14	$ –	$ 9	$ 6,885
Charge-offs	(120)	(459)	–	–	–	–	(579)
Recoveries	195	285	–	–	–	–	480
Provision for loan losses	229	588	210	2	–	12	1,041
Balance at September 30, 2012	$ 4,107	$ 3,383	$ 300	$ 16	$ –	$ 21	$ 7,827
Loans individually evaluated for impairment	$ 830	$ 644	$ –	$ –	$ –	$ –	$ 1,474
Loans collectively evaluated for impairment	2,220	3,418	142	17	–	28	5,825
Balance at September 30, 2013	$ 3,050	$ 4,062	$ 142	$ 17	$ –	$ 28	$ 7,299
Loans individually evaluated for impairment	$ 2,131	$ 446	$ –	$ –	$ –	$ –	$ 2,577
Loans collectively evaluated for impairment	2,037	2,716	167	18	–	24	4,962
Balance at December 31, 2012	$ 4,168	$ 3,162	$ 167	$ 18	$ –	$ 24	$ 7,539
Recorded investment in loans outstanding:							
Loans individually evaluated for impairment	$ 3,753	$ 5,424	$ –	$ –	$ –	$ 372	$ 9,549
Loans collectively evaluated for impairment	456,562	859,759	52,217	11,867	–	1,929	1,382,334
Ending balance at September 30, 2013	$ 460,315	$ 865,183	$ 52,217	$ 11,867	$ –	$ 2,301	$ 1,391,883
Loans individually evaluated for impairment	$ 4,647	$ 4,501	$ –	$ –	$ –	$ 220	$ 9,368
Loans collectively evaluated for impairment	415,755	$ 837,980	$ 57,014	$ 13,543	$ –	$ 2,071	$ 1,326,363
Ending balance at December 31, 2012	$ 420,402	$ 842,481	$ 57,014	$ 13,543	$ –	$ 2,291	$ 1,335,731

**Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*

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 about activity that occurred during the periods presented related to TDRs.

	Three months ended September 30, 2013			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Production and intermediate-term	$ –	$ 1,474	$ –	$ 1,474
Total	$ –	$ 1,474	$ –	$ 1,474

Three months ended September 30, 2013						
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Production and intermediate-term	$ –	$ 1,474	$ –	$ 1,474	$ –	$ –
Total	$ –	$ 1,474	$ –	$ 1,474	$ –	$ –

Nine months ended September 30, 2013				
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 655	$ –	$ 655
Production and intermediate-term	–	2,167	–	2,167
Total	$ –	$ 2,822	$ –	$ 2,822

Nine months ended September 30, 2013						
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ –	$ 908	$ –	$ 908	$ –	$ –
Production and intermediate-term	–	2,167	–	2,167	–	–
Total	$ –	$ 3,075	$ –	$ 3,075	$ –	$ –

Three months ended September 30, 2012				
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 1,365	$ –	$ 1,365
Production and intermediate-term	–	5,803	–	5,803
Total	$ –	$ 7,168	$ –	$ 7,168

Three months ended September 30, 2012						
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ –	$ 1,365	$ –	$ 1,365	$ –	$ –
Production and intermediate-term	–	5,803	–	5,803	–	–
Total	$ –	$ 7,168	$ –	$ 7,168	$ –	$ –

Nine months ended September 30, 2012				
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 1,365	$ –	$ 1,365
Production and intermediate-term	–	5,947	–	5,947
Total	$ –	$ 7,312	$ –	$ 7,312

Nine months ended September 30, 2012						
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ –	$ 1,365	$ –	$ 1,365	$ –	$ –
Production and intermediate-term	–	5,947	–	5,947	–	–
Total	$ –	$ 7,312	$ –	$ 7,312	$ –	$ –

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the 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	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Real estate mortgage	$ 4,800	$ 1,491	$ –	$ –
Production and intermediate-term	7,847	5,996	–	–
Total Loans	$ 12,647	$ 7,487	$ –	$ –
Additional commitments to lend	$ 86	$ 19		

NOTE 3 – EMPLOYEE BENEFIT PLANS

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Pension	$ 1,099	$ 1,078	$ 3,298	$ 3,232
401(k)	106	97	315	283
Other postretirement benefits	267	222	799	666
Total	$ 1,472	$ 1,397	$ 4,412	$ 4,181

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

	Actual YTD Through 9/30/13	Projected Contributions For Remainder of 2013	Projected Total Contributions 2013
Pension	$ –	$ 3,000	$ 3,000
Other postretirement benefits	383	160	543
Total	$ 383	$ 3,160	$ 3,543

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

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

NOTE 4 – COMMITMENTS AND CONTINGENT LIABILITIES

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

NOTE 5 – NOTES PAYABLE TO AGFIRST FARM CREDIT BANK

The Association's indebtedness to AgFirst Farm Credit Bank (AgFirst or the Bank) represents borrowings by the Association primarily to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

NOTE 6 – 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 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 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 hierarchy tiers 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 12.00 percent of the issued stock of the Bank as of September 30, 2013 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.5 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $350 million for the first nine months of 2013. In addition, the Association has an investment of $64 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.

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 had no Level 2 assets or liabilities measured at fair value.

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. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. 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	$ 239
Issuances	–
Settlements	(89)
Transfers in and/or out of level 3	–
Balance at September 30, 2013	$ 150

	Standby Letters Of Credit
Balance at January 1, 2012	$ 403
Issuances	–
Settlements	(118)
Transfers in and/or out of level 3	–
Balance at September 30, 2012	$ 285

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 the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 22,031	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 forecasts Probability of default Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

The following tables present 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 Nine Months Ended September 30, 2013					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	
Liabilities:						
Standby letters of credit	$ 150	$ –	$ –	$ 150	$ 150	
Recurring Liabilities	$ 150	$ –	$ –	$ 150	$ 150	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 20,722	$ –	$ –	$ 20,722	$ 20,722	$ 707
Other property owned	1,148	–	–	1,309	1,309	(69)
Nonrecurring Assets	$ 21,870	$ –	$ –	$ 22,031	$ 22,031	$ 638
Other Financial Instruments						
Assets:						
Cash	$ 6,761	$ 6,761	$ –	$ –	$ 6,761	
Loans	1,348,651	–	–	1,338,744	1,338,744	
Other Assets	$ 1,355,412	$ 6,761	$ –	$ 1,338,744	$ 1,345,505	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,159,571	$ –	$ –	$ 1,149,496	$ 1,149,496	
Other Liabilities	$ 1,159,571	$ –	$ –	$ 1,149,496	$ 1,149,496	

	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:						
Standby letters of credit	$ 239	$ –	$ –	$ 239	$ 239	
Recurring Liabilities	$ 239	$ –	$ –	$ 239	$ 239	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 14,278	$ –	$ –	$ 14,278	$ 14,278	$ 64
Other property owned	973	–	–	1,119	1,119	209
Nonrecurring Assets	$ 15,251	$ –	$ –	$ 15,397	$ 15,397	$ 273
Other Financial Instruments						
Assets:						
Cash	$ 8,758	$ 8,758	$ –	$ –	$ 8,758	
Loans	1,301,370	–	–	1,301,618	1,301,618	
Other Assets	$ 1,310,128	$ 8,758	$ –	$ 1,301,618	$ 1,310,376	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,106,869	$ –	$ –	$ 1,110,651	$ 1,110,651	
Other Liabilities	$ 1,106,869	$ –	$ –	$ 1,110,651	$ 1,110,651	

NOTE 7 - ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables present activity related to AOCI for the three month and nine month periods ended September 30:

Changes in Accumulated Other Comprehensive income by Component *(a)*	Three Months 2013	Three Months 2012	Year to Date 2013	Year to Date 2012
Employee Benefit Plans:				
Balance at beginning of period	$ (32,054)	$ (28,955)	$ (33,354)	$ (30,176)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	651	611	1,951	1,832
Net current period other comprehensive income	651	611	1,951	1,832
Balance at end of period	$ (31,403)	$ (28,344)	$ (31,403)	$ (28,344)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*	Three Months 2013	Three Months 2012	Year to Date 2013	Year to Date 2012	Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$ (651)	$ (611)	$ (1,951)	$ (1,832)	See footnote 4.
Net amounts reclassified	$ (651)	$ (611)	$ (1,951)	$ (1,832)	

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

NOTE 8 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined that, except as described below, there are none requiring disclosure through November 7, 2013, which is the date the financial statements were issued.

On October 21, 2013, AgFirst's Board of Directors declared a special patronage distribution to be paid on January 1, 2014. The Association will receive approximately $17,753 which will be recorded in October 2013 as patronage refunds from other Farm Credit institutions.