Strength • Dependability • Service

Quarterly Report To Stockholders

Quarter Ended June 30, 2013

REPORT OF MANAGEMENT

The consolidated financial statements of Capital Farm Credit, ACA (the Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (FCB) and the Association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The annual consolidated financial statements are examined by PricewaterhouseCoopers LLP, independent auditors, who conduct a review of internal controls solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The Audit Committee of the board of directors has oversight responsibility for the Association's systems of internal control and financial reporting. The Audit Committee consults regularly with management and meets periodically with the independent auditors and the internal auditors to review the scope and results of their work. The independent auditors and internal auditors have direct access to the Audit Committee.

The undersigned certify that this quarterly report has been reviewed and prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of his knowledge and belief.

Ben R. Novosad

Ben R. Novosad,
Chief Executive Officer

Phillip Munden

Phillip Munden,
Chairman, Board of Directors

Don VandeVanter

Don VandeVanter,
Chief Financial Officer

August 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Capital Farm Credit, ACA including its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively referred to as the Association) for the quarter ended June 30, 2013. These comments should be read in conjunction with the accompanying consolidated financial statements and the December 31, 2012 Annual Report of the Association. Results for interim periods are not necessarily indicative of results to be expected for future periods.

The economy continues to show positive economic growth in the second quarter of 2013. Gross domestic product continues to grow, leading economic indicators, the national unemployment rate, and corporate profits show slow but steady improvement. Growing conditions are much improved this year in comparison to the past several years at this time. However, some areas are still experiencing stressed crops and pasture conditions due to the lack of rainfall. In general, the crop conditions in the area serviced by the Association are fair. Along with the improvement in the general economy, there continues to be improvement in the Association's credit quality.

Significant Events:

The board of directors approved a patronage distribution for 2012 of all patronage sourced earnings. At year end the Association established an estimated cash patronage payable of $42,133 and $96,201 in nonqualified allocations. In March 2013 the Association finalized the computation of these distributions which resulted in a reduction of cash patronage payable of $13 for an actual cash distribution of $42,120. In addition, nonqualified allocations were also adjusted by $88 resulting in an actual allocation of $96,113. The owners of these nonqualified distributions do not pay federal income taxes until the equities are retired. It is the board's intention with this allocation and future allocations to assign ownership of the earnings of the Association, allowing the stockholders to benefit more fully from the earnings of the Association and to create a method to make future equity distributions in the form of cash. Although there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the Association's capital position and determine if some cash retirements of these equities can be made. In 2011, the board of directors approved a $126,602 patronage distribution for 2011. $38,400 of this distribution was paid in cash in March 2012. $88,202 of this distribution was made in the form of nonqualified allocated equity distributions.

In November 2012 the Association evaluated its capital position and retired $55 million in nonqualified allocated equities. These equities represented $11,327, $20,694, and $22,979 from those allocated in 2006, 2007 and 2008.

Loan Portfolio:

Total loan volume was $5,265,329 at June 30, 2013. This compares with loan volume owned by the Association at December 31, 2012 of $5,168,260. This represents an increase of $97,069, or approximately 1.9 percent. Real estate mortgage loans have increased more than $120 million as more buyers return to the rural real estate market. This increase was slightly offset by less loan demand from the Agribusiness sector. The Association has expectations that this growth in loan volume will continue with the Association's increased marketing efforts and new loan programs.

The quality of the Association's loan portfolio improved with a $21,274 decrease in high-risk assets since the previous year's end. The following table summarizes the Association's components and trends of high-risk assets:

	June 30, 2013	**%**	December 31, 2012	%
Nonaccrual loans	**$ 76,039**	**67.9**	$ 97,415	73.1
Loans 90 days past due and still accruing interest	**1,479**	**1.3**	51	-
Formally restructured loans	**10,514**	**9.4**	12,868	9.7
Other property owned, net	**23,928**	**21.4**	22,900	17.2
Total	**$ 111,960**	**100.0**	$ 133,234	100.0

Nonaccrual loans decreased $21,376 during the first six months of 2013. While approximately $6 million of this reduction was the result of loan chargeoffs, the Association continues to be successful in collecting nonaccrual loans and improving the level of high-risk assets.

Loans that are 90 or more days past due and still accruing interest increased $1,428 in the first six months of 2013. Loans that remain in this category are to customers that have a documented plan that details how and when the amount owed will be paid.

Formally restructured loans decreased $2,354 during the first six months of 2013. This decrease resulted from the reclassification of a formally restructured loan to nonaccrual status because of performance related issues. The Association is cooperating with distressed borrowers to work through temporary repayment problems, where possible. These restructurings may include a modification of loan terms to accommodate the financial difficulties of the customer.

Other property owned increased $1,028 during the first six months of 2013. The Association is actively working with real estate experts to ensure properties are accurately valued on the Association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with problem customers and industries through periods of adversity.

Results of Operations:

The Association's net income for the six months ended June 30, 2013 was $69,243 as compared to $73,481 for the six months ended June 30, 2012, a decrease of $4,238, or 5.8 percent.

The decrease in net income was affected by a decrease in noninterest income, an increase in provision for loan losses, and an increase in operating expense, partially offset by an improvement in net interest income. Net interest income increased by $5,531 during the six months of 2013 compared to the same time period for 2012. An increase in average loan volume, along with higher average capital and higher interest margins, was the catalyst for the improvement in net interest income. Some of this improvement was offset by a decline in interest rates charged to customers. The effects of changes in average volume and interest rates on net interest income in the six months ended June 30, 2013, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the six months ended June 30, 2013		For the six months ended June 30, 2012	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 5,118,875**	**$ 129,392**	$ 4,829,457	$ 128,713
Interest-bearing liabilities	**4,356,040**	**40,791**	4,138,927	45,643
Impact of capital	**$ 762,835**		$ 690,530	
Net interest income		**$ 88,601**		$ 83,070

	Average Yield	Average Yield
Yield on loans	**5.10%**	5.36%
Cost of interest-bearing Liabilities	**1.89%**	2.22%
Net interest margin	**3.21%**	3.14%

	2013 vs. 2012		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 7,693**	**$ (7,014)**	**$ 679**
Interest expense	**(2,388)**	**(7,240)**	**4,852**
Net interest income	**$ 5,305**	**$ 226**	**$ 5,531**

The Association's noninterest income decreased from $17,928 in the first six months of 2012 to $10,102 in the first six months of 2013. The majority of this difference is the result of a refund received in 2012 for $4,729 from the Farm Credit System Insurance Corporation (FCSIC). The refund was for excess reserves attributed to the Insurance Fund. Also contributing to the decrease in noninterest income is the decrease in patronage income from the Farm Credit Bank of Texas (FCB). The Association has received a patronage refund over the last several years from the FCB. This refund is paid annually to the Association in December by a direct reduction in its Note payable to FCB. For the first six months of 2012, the Association accrued 0.40 percent of its average Note payable balance. In its 2013 Capital plan, the FCB has declared its intention to pay 0.30 percent of the average Note payable. Therefore, the Association's patronage income is $1,881 less in the first six months of 2013 than for the same period in 2012. The Association has also experienced a decline in fee income, as loan fees decreased $693 during the first six months of 2013 as compared to the same time period in 2012. As interest rates have started to increase in the first six months of 2013, opportunities for rate conversions have declined. Therefore, loan fees from interest rate conversions decreased substantially.

Although there was a decrease in the level of non-accrual loans, the Association's accrual loan portfolio continues to grow. Due to the increase in loan volume, the Association has recorded a provision of $406 for the first six months of 2013, versus a provision reversal of $362 for the first six months of 2012. The Association will continue to monitor and make necessary adjustments with the changes in the loan portfolio.

Noninterest expenses increased $1,194 in the first six months of 2013 as compared to the same time period in 2012. This increase is primarily attributable to an increase of $1,409 in salary and employee benefits. There was an increase of 16 full-time employees as compared to the same time period in 2012, as the Association hired staff in anticipation of pending retirements and to support business growth needs. In addition, the Association had an increase in the FCSIC premium of $1,034. The Association received notification from the FCSIC of an increase in the debt portion of the Association's premium calculation from 0.05 percent to 0.10 percent in 2013 on the adjusted insured debt. Partially offsetting these increases was a decrease in losses on other property owned. Losses on other property owned decreased as collateral values stabilized resulting in less loss recognition upon disposition of other property owned.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the FCB. The FCB manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the FCB. The Association had an outstanding balance of $4,412,083 at June 30, 2013, as compared to $4,314,604 at December 31, 2012. This increase in note payable to the FCB since December 2012 is the result of the increase in the Association's loan portfolio. The direct loan carried a weighted average interest rate of 1.89 percent for the six months ended June 30, 2013, compared to 2.11 percent for the year ended December 31, 2012. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the FCB and is governed by a financing agreement.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At June 30, 2013 the Association's note payable was within the specified limitations. The maximum amount the Association could borrow from the Bank as of June 30, 2013, was $5,227,058, as defined by the general financing agreement. This borrowing limit changes as the borrowing base increases or decreases. In general the Bank funds 100 percent of all eligible acceptable and special mention loans and 75 percent of all eligible substandard loans.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2013. As borrower payments are received they are applied to the Association's note payable with the FCB.

The Association will continue to fund its operations through direct borrowings from the FCB, retained earnings, member stock and funds held in trust. It is management's opinion that funds available to the Association are sufficient to fund its operations for the next twelve months.

Capital Resources:

The Association's capital position remains strong, with total capital of $981,238 at June 30, 2013. This represents an increase of $69,393 from the December 31, 2012 total capital level of $911,845. This increase in capital is a direct result of the Association's net income for the period. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at June 30, 2013 was 16.29 percent. The Association's core surplus ratio and total surplus ratio at June 30, 2013 were 14.77 percent and 15.89 percent, respectively, which is in compliance with the FCA's minimum ratio requirements of 3.5 percent and 7.0 percent, respectively.

Relationship with the Farm Credit Bank of Texas:

The Association's statutory obligation to borrow only from the FCB is described in the section "Liquidity and Funding Sources" of the Management's Discussion and Analysis, included in this quarterly report.

The FCB's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis," included in this quarterly report.

The FCB provides computer systems to support the critical operations of the Association. The Association also has operating systems and facility-based systems that are not supported by the FCB. The FCB also provides other services the Association can utilize.

The Association's financial condition may be impacted by factors that affect the FCB as discussed in Note 1 to the consolidated financial statements, "Organization and Significant Accounting Policies," included in this quarterly report. The financial condition and results of operations of the FCB may materially affect the stockholders' investment in the Association.

The Tenth Farm Credit District's (District) annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P. O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the District's annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The District's annual and quarterly stockholder reports are also available on its Website at *www.farmcreditbank.com*.

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the Association's quarterly and annual stockholder reports are also available on its Website at *www.capitalfarmcredit.com* or can be requested by e-mailing *isela.morales@capitalfarmcredit.com*.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
Loans	**$ 5,265,329**	$ 5,168,260
Less: Allowance for losses	**(26,494)**	(31,817)
Net loans	**5,238,835**	5,136,443
Cash	**555**	1,038
Accrued interest receivable - loans	**47,526**	42,514
Accrued interest receivable - investments	**272**	168
Investments – held-to-maturity	**16,231**	17,175
Investment in and receivable from the FCB:		
Capital stock	**83,766**	83,766
Receivable	**11,094**	13,469
Investments in other Farm Credit Institutions	**1,598**	936
Other property owned, net	**23,928**	22,900
Premises and equipment, net	**13,455**	11,892
Other assets	**9,776**	5,178
Total assets	**$ 5,447,036**	$ 5,335,479
LIABILITIES		
Note payable to the FCB	**$ 4,412,083**	$ 4,314,604
Advanced conditional payments	**8,362**	8,884
Accrued interest payable	**6,722**	7,081
Drafts outstanding	**3,709**	5,658
Patronage distributions payable	**3**	42,133
Unfunded post retirement medical obligation	**21,454**	20,859
Other liabilities	**13,465**	24,415
Total liabilities	**4,465,798**	4,423,634
MEMBERS' EQUITY		
Capital stock and participation certificates	**22,356**	22,145
Non-qualified allocated retained earnings	**322,795**	322,883
Unallocated retained earnings	**637,707**	568,362
Accumulated other comprehensive loss	**(1,620)**	(1,545)
Total members' equity	**981,238**	911,845
Total liabilities and members' equity	**$ 5,447,036**	$ 5,335,479

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Dollars in thousands)
(UNAUDITED)

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	**For the six months ended June 30, 2013**	For the six months ended June 30, 2012
INTEREST INCOME				
Loans	**$ 64,534**	$ 64,310	**$ 128,985**	$ 128,241
Investments	**200**	234	**407**	472
Total interest income	**64,734**	64,544	**129,392**	128,713
INTEREST EXPENSE				
Note payable to the FCB and others	**20,480**	22,300	**40,791**	45,643
Net interest income	**44,254**	42,244	**88,601**	83,070
PROVISION FOR LOAN LOSSES				
Provision for (reversal of) loan losses	**(986)**	851	**406**	(362)
Net interest income after provision for losses	**45,240**	41,393	**88,195**	83,432
NONINTEREST INCOME				
Patronage income from the FCB	**3,678**	4,603	**7,282**	9,163
Loan fees	**936**	1,197	**1,878**	2,571
Other income	**378**	5,654	**942**	6,194
Total noninterest income	**4,992**	11,454	**10,102**	17,928
NONINTEREST EXPENSES				
Salaries and employee benefits	**7,580**	6,928	**15,053**	13,644
Pension plan funding expense	**1,144**	1,230	**2,287**	2,460
Farm Credit System insurance premium	**1,042**	517	**2,066**	1,032
Occupancy and equipment	**788**	603	**1,804**	1,470
Travel	**654**	585	**1,207**	1,036
Public and member relations	**617**	386	**1,186**	975
Advertising	**533**	451	**997**	885
Purchased services and allocations	**362**	378	**814**	812
FCA supervisory and exam expense	**309**	341	**618**	682
Communications	**289**	246	**545**	456
Loss on other property owned, net	**249**	2,540	**276**	2,502
Directors' expense	**217**	195	**430**	360
Other expenses	**1,054**	622	**1,760**	1,535
Total noninterest expenses	**14,838**	15,022	**29,043**	27,849
Income before federal income tax	**35,394**	37,825	**69,254**	73,511
Federal income tax	**5**	15	**11**	30
NET INCOME	**$ 35,389**	$ 37,810	**$ 69,243**	$ 73,481
Other comprehensive loss:				
Change in postretirement benefit plans	**(38)**	(85)	**(75)**	(169)
Income tax expense related to items of other comprehensive income	**-**	-	**-**	-
Other comprehensive loss, net of tax	**(38)**	(85)	**(75)**	(169)
COMPREHENSIVE INCOME	**$ 35,351**	$ 37,725	**$ 69,168**	$ 73,312

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Retained Earnings Non-qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2011	$ 21,856	$ 281,671	$ 567,030	$ 1,041	$ 871,598
Net income	-	-	73,481	-	73,481
Other comprehensive loss	-	-	-	(169)	(169)
Capital stock/participation certificates issued	1,572	-	-	-	1,572
Capital stock/participation certificates/ allocated equities retired	(1,513)	-	-	-	(1,513)
Other adjustments	-	5	-	-	5
Balance at June 30, 2012	21,915	281,676	640,511	872	944,974
Net income	-	-	66,185	-	66,185
Other comprehensive loss	-	-	-	(2,417)	(2,417)
Capital stock/participation certificates issued	1,855	-	-	-	1,855
Capital stock/participation certificates/ allocated equities retired	(1,625)	(55,000)	-	-	(56,625)
Patronage distributions declared:					
Cash	-	-	(42,133)	-	(42,133)
Nonqualified allocations	-	96,201	(96,201)	-	-
Other adjustments	-	6	-	-	6
Balance at December 31, 2012	22,145	322,883	568,362	(1,545)	911,845
Net income	-	-	69,243	-	69,243
Other comprehensive loss	-	-	-	(75)	(75)
Capital stock/participation certificates issued	1,786	-	-	-	1,786
Capital stock/participation certificates/ allocated equities retired	(1,575)	-	-	-	(1,575)
Other adjustments	-	(88)	102	-	14
Balance at June 30, 2013	**$ 22,356**	**$ 322,795**	**$ 637,707**	**$ (1,620)**	**$ 981,238**

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

CAPITAL FARM CREDIT, ACA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called the "Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders (farmers, ranchers, rural home owners and certain farm-related businesses) for qualified agricultural purposes in 192 counties in the state of Texas.

The Association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act.)

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 December 31, 2012 are contained in the 2012 Annual Report to Stockholders. These unaudited second quarter 2013 consolidated financial statements should be read in conjunction with the 2012 Annual Report to Stockholders.

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, except for the inclusion of a statement of cash flows. Generally accepted accounting principles require a business enterprise that provides a set of financial statements that reports both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by the Farm Credit Administration (FCA), associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements.

The Farm Credit Bank of Texas (FCB) and its related associations are collectively referred to as the "District." The Association's financial condition may be affected by factors that affect the FCB. The financial condition and results of operations of the FCB may materially affect stockholders' investment in the Association. Upon request, stockholders of the Association will be provided the Tenth Farm Credit District's Annual Report to Stockholders, which includes the combined financial statements of the FCB and all of the District associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the FCB and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Farm Credit System Insurance Corporation.

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Balance Sheet – 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 the rights of offset set forth in 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. It is the Association's policy to not participate in the use of derivatives, but the Association will have some financial instruments that are affected by these disclosure requirements. 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 did not impact the financial condition or results of operations, but resulted in additional disclosures.

In February 2013, the FASB issued guidance entitled, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The guidance requires entities to present, either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012 and for non-public entities for annual periods beginning after December 15, 2013. The Association implemented this guidance effective with its 2012 annual report, and the adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures.

NOTE 2 — INVESTMENTS:

Investments Held-to-Maturity

The Association's held-to-maturity investment consists of Farmer Mac guaranteed agricultural mortgage-backed securities (AMBS). A summary of the amortized cost and fair value of investment securities held-to-maturity is as follows:

June 30, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 16,231	$ -	$ 56	$ 16,175	4.82%	3.70

December 31, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 17,175	$ 86	$ -	$ 17,261	4.86%	3.54

The Farmer Mac AMBS were received in exchange for mortgage loans which were previously covered under the long-term standby commitment to purchase agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions. The Association continues to service the loans included in the transaction.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry	**June 30, 2013**	**%**	December 31, 2012	%
Production agriculture:				
Real estate mortgage	**$ 4,179,668**	**79.4**	$ 4,059,651	78.5
Production and term	**538,306**	**10.2**	536,326	10.4
Agribusiness	**362,319**	**6.9**	390,170	7.5
Rural residential real estate	**91,433**	**1.7**	85,365	1.7
Energy	**48,143**	**0.9**	38,560	0.7
Communication	**29,976**	**0.6**	34,997	0.7
Mission related investments	**11,833**	**0.2**	19,070	0.4
Lease receivables	**3,651**	**0.1**	4,121	0.1
Total	**$ 5,265,329**	**100.0**	$ 5,168,260	100.0

At June 30, 2013, the Association held five transactions, which are reported as loans on the consolidated balance sheet totaling $9,729 and with no remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold as of June 30, 2013:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 89,832	$ 52,653	$ 3,816	$ -	$ 93,648	$ 52,653
Production and intermediate term	125,126	14,515	-	-	125,126	14,515
Agribusiness	253,486	27,192	438	-	253,924	27,192
Communication	29,976	-	-	-	29,976	-
Energy	48,044	-	-	-	48,044	-
Lease receivables	3,566	-	-	-	3,566	-
Mission related investments	5,241	-	4,488	-	9,729	-
Total	$ 555,271	$ 94,360	$ 8,742	$ -	$ 564,013	$ 94,360

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	June 30, 2013	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	**$ 53,905**	$ 58,426
Production and intermediate-term	**5,478**	6,017
Agribusiness	**15,350**	31,483
Communication	**-**	697
Residential Real Estate	**1,251**	729
Lease receivable	**55**	63
Total nonaccrual loans	**$ 76,039**	$ 97,415
Accruing restructured loans:		
Real estate mortgage	**$ 7,971**	$ 7,977
Production and intermediate-term	**2,623**	2,584
Agribusiness	**-**	2,352
Total accruing restructured loans	**$ 10,594**	$ 12,913
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 278**	$ -
Production and intermediate-term	**150**	51
Agribusiness	**1,130**	-
Total accruing loans 90 days or more past due	**$ 1,558**	$ 51
Total nonperforming loans	**$ 88,191**	$ 110,379
Other property owned	**23,928**	22,900
Total nonperforming assets	**$ 112,119**	$ 133,279

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2013	December 31, 2012
Real estate mortgage		
Acceptable	**96.1%**	95.4%
OAEM	**1.6%**	2.0%
Substandard/doubtful	**2.3%**	2.6%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	**92.3%**	91.1%
OAEM	**3.0%**	5.4%
Substandard/doubtful	**4.7%**	3.5%
	100.0%	100.0%
Agribusiness		
Acceptable	**90.3%**	84.8%
OAEM	**2.8%**	5.6%
Substandard/doubtful	**6.9%**	9.6%
	100.0%	100.0%
Energy		
Acceptable	**90.3%**	87.6%
OAEM	**-**	-
Substandard/doubtful	**9.7%**	12.4%
	100.0%	100.0%
Communication		
Acceptable	**98.0%**	98.0%
OAEM	**2.0%**	-
Substandard/doubtful	**-**	2.0%
	100.0%	100.0%
Rural residential real estate		
Acceptable	**96.7%**	96.4%
OAEM	**1.8%**	2.1%
Substandard/doubtful	**1.5%**	1.5%
	100.0%	100.0%
Lease receivables		
Acceptable	**98.2%**	98.5%
OAEM	**0.3%**	-
Substandard/doubtful	**1.5%**	1.5%
	100.0%	100.0%
Mission related investments		
Acceptable	**97.3%**	98.3%
OAEM	**-**	-
Substandard/doubtful	**2.7%**	1.7%
	100.0%	100.0%
Total Loans		
Acceptable	**95.3%**	94.2%
OAEM	**1.8%**	2.6%
Substandard/doubtful	**2.9%**	3.2%
	100.0%	100.0%

The following table provides an age analysis of past due loans (including accrued interest) as of:

June 30, 2013	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Loans > 90 Days or More Past Due
Real estate mortgage	$ 23,092	$28,168	$ 51,260	$ 4,146,654	4,197,914	$ 278
Production and intermediate term	5,258	3,051	8,309	539,866	548,175	150
Agribusiness	53	7,125	7,178	356,914	364,092	1,130
Communication	1	-	1	30,019	30,020	-
Energy	-	-	-	48,184	48,184	-
Water and waste disposal	-	-	-	280	280	-
Rural residential real estate	873	616	1,489	106,999	108,488	-
Lease receivables	-	-	-	3,730	3,730	-
Mission related investments	-	-	-	11,972	11,972	-
Total	$ 29,277	$38,960	$ 68,237	$ 5,244,618	$5,312,855	$ 1,558

December 31, 2012	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Loans > 90 Days or More Past Due
Real estate mortgage	$ 24,124	$14,613	$ 38,737	$ 4,036,298	$4,075,035	$ -
Production and intermediate term	2,742	3,317	6,059	537,334	543,393	51
Agribusiness	11,356	13,023	24,379	368,401	392,780	-
Communication	-	-	-	35,074	35,074	-
Energy	-	-	-	38,588	38,588	-
Water and waste disposal	-	-	-	-	-	-
Rural residential real estate	-	75	75	102,364	102,439	-
Lease receivables	-	-	-	4,227	4,227	-
Mission related investments	-	-	-	19,238	19,238	-
Total	$ 38,222	$31,028	$ 69,250	$ 5,141,524	$5,210,774	$ 51

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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of June 30, 2013 the total troubled debt restructured loans was $15,085, including $4,491 classified as nonaccrual and $10,594 classified as accrual, with specific allowance for loan losses of $1,344. As of June 30, 2013 commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $40.

The following table presents additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation that occurred during the quarter ended June 30, 2013.

For the three months ended June 30, 2013	Balance Pre-TDR Designation	Balance Post-TDR Designation
Troubled debt restructurings:		
Production and intermediate term	$ 83	$ 83
Total	$ 83	$ 83

For the six months ended June 30, 2013	Balance Pre-TDR Designation	Balance Post-TDR Designation
Troubled debt restructurings:		
Real Estate Mortgage	$ 347	$ 344
Production and intermediate term	83	83
Total	$ 430	$ 427

The Association had no loans that met the accounting criteria as a troubled debt restructuring and that occurred from July 1, 2012 through June 30, 2013, and for which there was a payment default during that same period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Balance of Pre-TDR designation represents quarter-end loans just prior to restructuring and post-TDR represents the quarter-end loans immediately following the restructuring.

The Association restructured one loan that met the definition of TDR during the quarter ended June 30, 2013. This loan was classified TDR due to an extension of terms.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

Additional impaired loan information is as follows:

	At June 30, 2013			At December 31, 2012		
	Loan Balance	Unpaid Principal Balance[a]	Related Specific Allowance	Loan Balance	Unpaid Principal Balance[a]	Related Specific Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage	$ 16,448	$ 21,824	$ 2,217	$ 17,557	$ 23,943	$ 1,855
Production and intermediate term	1,991	3,532	766	2,674	4,215	907
Processing and marketing	10,444	13,113	6,027	20,423	20,655	11,587
Farm-related business	216	301	23	280	304	-
Communication	-	-	-	697	697	453
Rural residential real estate	43	54	5	202	202	37
Lease receivables	-	-	-	-	-	-
Total	$ 29,142	$ 38,824	$ 9,038	$ 41,833	$ 50,016	$ 14,839
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	$ 45,674	$ 47,849	$ -	$ 48,839	$ 50,964	$ -
Production and intermediate term	6,187	10,292	-	5,940	9,302	-
Processing and marketing	5,766	21,155	-	13,132	31,357	-
Farm-related business	-	395	-	-	3,862	-
Communication	-	-	-	-	-	-
Rural residential real estate	1,208	1,296	-	527	616	-
Lease receivables	55	55	-	63	63	-
Total	$ 58,890	$ 81,042	$ -	$ 68,501	$ 96,164	$ -
Total impaired loans:						
Real estate mortgage	$ 62,122	$ 69,673	$ 2,217	$ 66,396	$ 74,907	$ 1,855
Production and intermediate term	8,178	13,824	766	8,614	13,517	907
Processing and marketing	16,210	34,268	6,027	33,555	52,012	11,587
Farm-related business	216	696	23	280	4,166	-
Communication	-	-	-	697	697	453
Rural residential real estate	1,251	1,350	5	729	818	37
Lease receivables	55	55	-	63	63	-
Total	$ 88,032	$ 119,866	$ 9,038	$ 110,334	$ 146,180	$ 14,839

[a]Unpaid principal balance represents the recorded principal balance of the loan.

	For the Six Months Ended June 30, 2013		For the Year Ended December 31, 2012	
	Average Impaired Loans**	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Real estate mortgage	$ 17,475	$ 4	$ 37,088	$ 36
Production and intermediate term	2,293	10	2,580	58
Processing and marketing	14,689	-	19,229	190
Farm-related business	265	-	-	-
Communication	451	-	763	-
Rural residential real estate	144	-	130	3
Lease receivables	-	-	690	-
Mission related investments	-	-	-	-
Total	$ 35,317	$ 14	$ 60,480	$ 287
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ 48,223	$ 526	$ 52,057	$ 1,242
Production and intermediate term	6,230	170	5,703	278
Processing and marketing	6,634	35	16,090	1,672
Farm-related business	-	41	-	146
Communication	-	-	-	-
Rural residential real estate	757	12	553	5
Lease receivables	58	-	76	-
Mission related investments	-	-	7	-
Total	$ 61,902	$ 784	$ 74,486	$ 3,343
Total impaired loans:				
Real estate mortgage	$ 65,698	$ 530	$ 89,145	$ 1,278
Production and intermediate term	8,523	180	8,283	336
Processing and marketing	21,323	35	35,319	1,862
Farm-related business	265	41	-	146
Communication	451	-	763	-
Rural residential real estate	901	12	683	8
Lease receivables	58	-	766	-
Mission related investments	-	-	7	-
Total	$ 97,219	$ 798	$ 134,966	$ 3,630

**Average loans are not deemed to be changed for one day's activity.

A summary of changes in the allowance for loan losses and the ending balance including accrued interest of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Lease Receivable	Mission Related Investments	Total
Allowance for loan losses:									
Balance at December 31, 2012	$ 11,122	$ 4,362	$ 15,169	$ 553	$ 410	$ 170	$ 7	$ 24	$ 31,817
Charge-offs	(534)	(32)	(5,509)	-	-	(10)	-	-	(6,085)
Recoveries	14	73	270	-	-	-	-	-	357
Provision for loan losses	716	59	61	(466)	48	(22)	(1)	10	405
Balance at June 30, 2013	$ 11,318	$ 4,462	$ 9,991	$ 87	$ 458	$ 138	$ 6	$ 34	$ 26,494
Allowance for loan losses: Individually evaluated for impairment	$ 2,219	$ 766	$ 6,048	$ -	$ -	$ 5	$ -	$ -	$ 9,038
Allowance for loan losses: Collectively evaluated for impairment	$ 9,099	$ 3,696	$ 3,943	$ 87	$ 458	$ 133	$ 6	$ 34	$ 17,456
Loans, including accrued interest:									
Ending Balance at June 30, 2013	$ 4,197,915	$ 548,175	$ 364,091	$ 30,019	$ 48,464	$ 108,489	$ 3,730	$ 11,972	$ 5,312,855
Ending balance for loans Individually evaluated for impairment	$ 62,122	$ 8,178	$ 16,426	$ -	$ -	$ 1,251	$ 55	$ -	$ 88,032
Ending balance for loans Collectively evaluated for impairment	$ 4,135,793	$ 539,997	$ 347,665	$ 30,019	$ 48,464	$ 107,238	$ 3,675	$ 11,972	$ 5,224,823

NOTE 4 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value 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.

Valuation Techniques

Accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Assets held in nonqualified benefits trusts related to deferred compensation and supplemental retirement plans are classified as Level 1. Level 1 valuation utilizes quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The trust funds include investments that are actually traded and have quoted net asset values that are quoted in the marketplace. These assets are measured at fair value on a recurring basis and are summarized below:

	Total Fair Value June 30, 2013	**Total Fair Value December 31, 2012**
Beginning Balance	**$ 2,937**	**$ 2,006**
Transfers In	**808**	**667**
Other Market Changes	**358**	**264**
Assets held in non-qualified benefits trusts	**$ 4,103**	**$ 2,937**

With regard to impaired loans and other property owned generally classified as Level 3 and evaluated for impairment, it is not practicable to provide specific information on inputs as each collateral property is unique. The Association utilizes appraisals to value these loans and other property owned and take into account unobservable inputs such as, income and expense, comparable sales, replacement cost and comparability adjustments.

These assets are measured at fair value on a nonrecurring basis and are summarized below:

	Total Fair Value June 30, 2013	Total Fair Value December 31, 2012
Impaired Loans	**$ 20,104**	$ 26,994
Other property owned	**23,928**	22,900
Total	**$ 44,032**	$ 49,894

NOTE 5 — MEMBERS EQUITY:

The board of directors approved a patronage distribution for 2012 of all patronage sourced earnings. At year end the Association established an estimated cash patronage payable of $42,133 and $96,201 in nonqualified allocations. In March 2013 the Association finalized the computation of these distributions which resulted in a reduction of cash patronage payable of $13 for an actual cash distribution of $42,120. In addition, nonqualified allocations were also adjusted by $88 resulting in an actual allocation of $96,113. The owners of these nonqualified distributions do not pay federal income taxes until the equities are retired. It is the board's intention with this allocation and future allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. Although there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. In 2011, the board of directors approved a $126,602 patronage distribution for 2011. $38,400 of this distribution was paid in cash in March 2012. $88,202 of this distribution was made in the form of nonqualified allocated equity distributions.

In November 2012 the Association evaluated its capital position and retired $55 million in nonqualified allocated equities. These equities represented $11,327, $20,694, and $22,979 from those allocated in 2006, 2007 and 2008.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The Association expects to contribute $4,574 to its pension plan in 2013, which will be $346 less than the 2012 contribution. Pension plan funding expense was $2,287 and $2,460 for the six months ended June 30, 2013 and 2012 respectively.

NOTE 7 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 5, 2013 which is the date the financial statements were issued and there are no significant events requiring disclosure as of this date.