Quarterly Report - First Quarter 2013
March 31, 2013

AGRIBANK, FCB AND AFFILIATED ASSOCIATIONS

Copies of quarterly and annual reports are available upon request by contacting AgriBank, FCB, 30 E. 7th Street, Suite 1600, St. Paul, MN 55101 or by calling (651) 282-8800. Reports are also available at www.agribank.com.

Management's Discussion and Analysis

AgriBank, FCB and Affiliated Associations

The following discussion is a review of the combined financial position and results of operations of AgriBank, FCB and Affiliated Associations which are part of the Farm Credit System (the System). This information should be read in conjunction with the accompanying combined financial statements, the notes to the combined financial statements and the 2012 annual report.

We serve customers in states across America's heartland. AgriBank, FCB (AgriBank) provides funding to, and is owned by, its affiliated Associations, certain related entities and other financial institutions (OFIs). AgriBank and its affiliated Associations are collectively referred to as the District. The Associations are chartered to serve customers in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. The affiliated Associations provide credit and financial services to farmers, ranchers, rural residents and agribusinesses.

Forward-Looking Information

Any forward-looking statements in this quarterly report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2012 annual report. AgriBank undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations

District net income for the three months ended March 31, 2013 totaled $427.9 million, a 7.5% increase, compared to $398.1 million for the same period in 2012. The return on average assets decreased slightly to 1.8% for the three months ended March 31, 2013 from 1.9% for the comparable period in 2012.

The following table illustrates changes in significant components of net income:

(in millions) **For the three months ended March 31,**	**2013**	2012	Increase (Decrease) in Net Income
Net interest income	**$606.8**	$546.6	$60.2
(Provision for) reversal of credit losses	**(1.8)**	16.6	(18.4)
Non-interest income	**84.6**	55.5	29.1
Salaries and employee benefits	**(151.8)**	(128.1)	(23.7)
Other operating expenses	**(71.6)**	(65.2)	(6.4)
Farm Credit System insurance expense	**(17.0)**	(7.7)	(9.3)
Loss on debt extinguishment	**(4.0)**	--	(4.0)
Net impairment losses recognized in earnings	**(0.4)**	(5.5)	5.1
Provision for income taxes	**(16.9)**	(14.1)	(2.8)
Net income	**$427.9**	$398.1	$29.8

Net interest income for the three months ended March 31, 2013 increased $60.2 million, or 11.0%, compared to the same period in 2012. Net interest income continues to be strong and reflects the positive impact of our funding actions as we proactively take advantage of the favorable interest rate environment. We repriced

additional levels of debt at lower costs and at a pace that exceeded the rate at which interest-earning assets repriced. During this same time, Association retail customers reduced their interest costs by converting and refinancing loans. The increase in net interest income was primarily due to the positive effects of changes in volume of $68.0 million, driven by increases in real estate mortgage volume due to strong demand for cropland, partially offset by negative effects of changes in rates of $4.3 million and changes in nonaccrual income of $3.5 million. Average earning assets increased 12.3% to $90.6 billion for the three months ended March 31, 2013 compared to $80.7 billion for the same period in 2012.

Over time, as interest rates increase and as our product mix changes, the positive impact on net interest income we have experienced over the last several years from calling debt securities will likely diminish.

Information regarding the year-to-date average daily balances (ADBs) and annualized average rates earned and paid on our portfolio follows:

(in millions) **For the three months ended March 31,**	**2013**			2012		
	ADB	**Rate**	**NII**	ADB	Rate	NII
Interest earning assets:						
Accrual loans	**$74,824.0**	**4.12%**	**$770.8**	$66,562.5	4.51%	$751.0
Nonaccrual loans	**715.5**	**3.67%**	**6.6**	878.2	4.53%	9.9
Investment securities and federal funds	**14,931.2**	**0.96%**	**35.8**	13,105.1	1.10%	36.0
Other earning assets	**82.2**	**5.25%**	**1.1**	145.2	5.47%	2.0
Total	**90,552.9**	**3.60%**	**814.3**	80,691.0	3.96%	798.9
Interest bearing liabilities	**76,653.9**	**1.08%**	**207.5**	68,352.2	1.48%	252.3
Interest rate spread	**$13,899.0**	**2.52%**		$12,338.8	2.48%	
Impact of equity financing		**0.16%**			0.23%	
Net interest margin		**2.68%**			2.71%	
Net interest income			**$606.8**			$546.6

Net interest margin decreased three basis points over the same period last year due to a seven basis point decline in the impact of equity financing partially offset by a four basis point increase in interest rate spread. Equity financing represents the benefit of non-interest bearing funding, which was lower due to continued falling interest rates. The increase in interest rate spread was primarily due to increased spreads on converted fixed rate loans, reflecting the affiliated Associations' abilities to re-price borrowers' loans at lower interest rates and increased spreads. Changes in loans are further discussed in the Loan Portfolio section of this report.

The District's provision for credit losses for the first quarter of 2013 was $1.8 million compared to a reversal of credit losses of $16.6 million for the same period in 2012. The amounts reflect the change in the estimated losses in the loan portfolio during the periods. The first quarter 2013 provision consisted of $6.0 million of loan loss provision less reversals of provision for credit losses for unfunded commitments and unfunded letters of credit of $3.0 million and $1.2 million, respectively. The reserves for unfunded commitments and letters of credit are recorded as liabilities on the Combined Statements of Condition. The first quarter 2013 loan loss provision was the result of a slight deterioration in collateral values on some loans that were individually evaluated as well as the replenishment of reserves of loans evaluated collectively. The first quarter 2012 reversals all related to the loan portfolio and reflected the strong collateralization of the portfolios, an improvement in overall environmental factors, particularly in the protein sector, and continued improvement in credit quality. These reversals were taken back through provision for credit losses throughout the remainder of 2012 due to the drought and other deteriorating conditions.

The increase in non-interest income primarily resulted from the following:

- A $19.3 million increase in loan prepayment and fee income. Loan prepayment income increased primarily due to one large prepayment that resulted in $14.4 million in fee income.
- A $7.7 million increase in miscellaneous income and other gains, net, due in part to a $3.4 million increase from the write-up of other property owned related to acquiring the collateral of a nonaccrual loan within the ethanol industry during the first quarter of 2013.
- A $4.7 million increase in mineral income, earned from mineral rights, as lease bonus and royalty income continues to remain strong, specifically in the Williston Basin in western North Dakota. The increase reflects the continued demand for exploration rights and ongoing production on these properties.

The increase in salaries and employee benefits resulted from the following:

- An $18.2 million increase in salary expense, primarily due to annual merit increases as well as an increase in head count of 294 full-time equivalents (5.2%) from March 31, 2012 to March 31, 2013.
- A $5.5 million increase in benefits expense driven primarily by: i) an increase in pension expense of $2.6 million, reflecting the impact of the decline in the discount rate and the continued amortization of losses on plan assets in 2008, ii) a $1.6 million increase in medical and dental insurance expenses due to the rising cost of medical care and iii) an increase in defined contribution plan expense of $0.8 million, reflecting the increase in staffing (all new employees are in this plan).

Other operating expenses increased $6.4 million, primarily related to travel, public and member relations, purchased services and other miscellaneous expenses.

Farm Credit System insurance expense increased by $9.3 million reflecting the Farm Credit System Insurance Corporation premium rate of 10 basis points for the three months ended March 31, 2013 compared to five basis points for the same period in 2012.

The loss on debt extinguishment of $4.0 million relates to the transfer of $20.0 million of debt from AgriBank to another Farm Credit System bank to restructure liabilities in March 2013. This transaction was for the purpose of asset/liability rebalancing due to a large prepayment of a loan with the volume of all debt transfer occurring at fair value. AgriBank's loss was more than offset by the receipt of fee income of $10.0 million on the loan prepayment.

AgriBank evaluates all investments in an unrealized loss position quarterly and determined that certain securities were in an other-than-temporary loss position at March 31, 2013. As a result of its evaluations, AgriBank recognized $0.4 million in impairment losses during the three months ended March 31, 2013 compared to $5.5 million for the same period in 2012. Refer to additional discussion in the Investment Portfolio section of this report.

The increase in the provision for income taxes for the three months ended March 31, 2013 was primarily related to one association's $5.0 million tax savings from redemptions of allocated patronage during the first quarter of 2012 that did not occur in the first quarter of 2013. This increase was partially offset by decreased income in taxable entities, primarily due to a decrease in the amount of reversals of credit losses in those entities.

Loan Portfolio

The following table presents the components of loans:

(in millions)	March 31, 2013	December 31, 2012
Accrual loans:		
Real estate mortgage	**$43,767.4**	$43,388.4
Production and intermediate term	**18,458.3**	21,121.9
Agribusiness	**7,116.6**	6,364.0
Rural residential real estate	**2,469.4**	2,450.7
Other	**3,001.0**	3,063.3
Nonaccrual loans	**759.2**	700.8
Total loans	**$75,571.9**	$77,089.1

District loans totaled $75.6 billion at March 31, 2013, a $1.5 billion, or 2.0%, decrease from December 31, 2012. The decrease in total loans was primarily due to seasonal paydowns on operating lines of credit as many borrowers sold crops and paid down operating lines in January.

The components of risk assets follow (total loans include accrued interest receivable):

(in millions)	March 31, 2013	December 31, 2012
Nonaccrual loans	**$759.2**	$700.8
Accruing restructured loans	**46.1**	45.6
Accruing loans 90 days or more past due	**18.3**	20.5
Total risk loans	**823.6**	766.9
Other property owned	**77.8**	67.8
Total risk assets	**$901.4**	$834.7
Risk loans as a % of total loans	**1.08%**	0.99%
Delinquencies as a % of total loans	**0.65%**	0.65%

Our risk assets have increased from December 31, 2012, however, remain at acceptable levels. Total risk loans as a percentage of total loans remains within our established risk management guidelines.

Credit quality on loans remained at acceptable levels with 97.4% of our portfolio in the acceptable and special mention categories at March 31, 2013 and December 31, 2012. Adversely classified loans were 2.6% at March 31, 2013 and December 31, 2012.

Nonaccrual loans represented 1.0% of total loans at March 31, 2013 compared to 0.9% at December 31, 2012. At March 31, 2013, 64.6% of nonaccrual loans were current as to principal and interest compared to 61.2% at December 31, 2012. The increase in nonaccrual loans was primarily due to the transfer of a credit within the pork industry.

Our accounting policy generally requires loans past due 90 days to be transferred into nonaccrual status. Based on management's analysis, all accruing loans 90 days or more past due were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

The increase in other property owned was primarily due to a transfer of a credit within the ethanol industry from nonaccrual status.

Comparative allowance coverage of various loan categories follows:

	March 31, 2013	December 31, 2012
Allowance as a % of:		
Loans	**0.35%**	0.34%
Nonaccrual loans	**34.60%**	37.52%
Total risk loans	**31.89%**	34.29%
Net charge-offs as a % of average loans	**0.01%**	0.09%
Adverse loans as a % of risk funds*	**13.39%**	14.03%

*Risk funds includes total capital and allowance for loan losses.

The District's allowance for loan losses is an estimate of losses on loans in the AgriBank and affiliated Association portfolios as of the financial statement date. AgriBank and affiliated Associations' management determine the appropriate allowance levels based on a periodic evaluation of factors such as loan loss history, probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions. During the three months ended March 31, 2013, we decreased our allowance for loan losses by $0.3 million. The decline in the allowance was primarily driven by net charge-offs of $6.3 million partially offset by provision for loan losses of $6.0 million (not including reversal of provision for unfunded commitments and unfunded letters of credit of $3.0 million and $1.2 million, respectively). The amounts reflect the change in the estimated losses in the loan portfolio during the periods. AgriBank and affiliated Associations' management consider the allowance for loan losses at March 31, 2013 to be reasonable in relation to the risk in the loan portfolios.

Investment Portfolio

At March 31, 2013, investment securities and federal funds held for liquidity purposes by AgriBank totaled $12.4 billion, an increase of $0.7 billion from December 31, 2012.

AgriBank evaluates all investments in an unrealized loss position quarterly. As a result of its evaluations, AgriBank recognized $0.4 million in impairment losses during the three months ended March 31, 2013, all on previously impaired securities. No other securities were in an other-than-temporary loss position. The impairments reflect the deterioration of credit performance and the resulting decrease in voluntary prepayment speeds.

AgriBank continues to closely monitor its home equity asset-backed securities (ABS) and non-agency mortgage-backed securities (MBS), which are detailed in the table below:

(in millions)	**As of March 31, 2013**				As of December 31, 2012			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
First liens	**$111.4**	**$1.0**	**$14.7**	**$97.7**	$117.7	$ --	$20.1	$97.6
Second liens	**0.3**	**4.1**	**--**	**4.4**	0.5	4.1	--	4.6
Wrapped ABS	**20.2**	**1.0**	**3.0**	**18.2**	21.1	1.0	3.6	18.5
Total home equity asset-backed securities	**$131.9**	**$6.1**	**$17.7**	**$120.3**	$139.3	$5.1	$23.7	$120.7
Alt-A non-agency MBS - floating	**$11.0**	**$1.2**	**$1.0**	**$11.2**	$12.0	$1.1	$1.5	$11.6
Alt-A non-agency MBS - ARM	**34.6**	**1.0**	**1.2**	**34.4**	35.7	0.9	2.8	33.8
Jumbo non-agency MBS - floating	**28.9**	**--**	**1.9**	**27.0**	30.5	--	2.5	28.0
Jumbo non-agency MBS - fixed	**16.1**	**2.7**	**--**	**18.8**	16.6	2.0	0.2	18.4
Jumbo non-agency MBS - ARM	**144.3**	**5.0**	**2.3**	**147.0**	150.0	2.5	3.8	148.7
Total non-agency mortgage-backed securities	**$234.9**	**$9.9**	**$6.4**	**$238.4**	$244.8	$6.5	$10.8	$240.5
Total of above segments	**$366.8**	**$16.0**	**$24.1**	**$358.7**	$384.1	$11.6	$34.5	$361.2

At March 31, 2013, AgriBank held securities that, because the ratings were downgraded below AAA, were no longer eligible under the Farm Credit Administration (FCA) regulations. The fair value of all ineligible investments totaled $344.2 million, including $192.0 million on which we have taken impairment charges. Effective January 1, 2013, securities that become ineligible no longer require formal FCA approval to hold beyond six months and can be included in the net collateral ratio provided certain conditions are met, including the security was eligible at the time it was purchased. These conditions were met for all ineligible securities and AgriBank's intent is to hold these securities.

In addition, AgriBank held split-rated non-agency mortgage-backed securities and home equity asset-backed securities with a fair value of $10.6 million that were downgraded below AAA by at least one rating agency. There are no split-rated securities on which AgriBank has taken impairment. There were no non-agency mortgage-backed securities or home equity asset-backed securities on credit watch negative at March 31, 2013.

Investments held by certain affiliated Associations consisted of $1.9 billion of government guaranteed instruments, $285.1 million of securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac), $2.9 million of investment securities of Agricultural Rural Community (ARC) bonds and a $3.2 million venture capital equity investment.

Agricultural Conditions

The United States Department of Agriculture (USDA) continues to project that U.S. net farm income will decline $5.1 billion in 2012, to $112.8 billion, when compared to $117.9 billion for 2011. Net cash income for 2012 is expected to increase by $0.9 billion, to $135.6 billion when compared to the previous record of $134.7 billion in 2011. For 2013, net farm income is projected to increase by $15.4 billion to a record $128.2 billion. For 2013, net cash income is projected to decline by $12.1 billion to $123.5 billion. The decline in 2013 net cash income is driven by a projected $13.2 billion increase in the cost of purchased inputs. The different trajectories for net farm income and net cash income are mainly due to expectations of substantial increases in the value of corn inventories during the year. Value of inventory change is included in net farm income but only affects net cash income when inventories are sold. The value of corn inventories is expected to rise based on projections of average corn yields and historic corn-acreage levels. The farm sector's debt-to-asset ratio for 2013 is now forecasted at a record low 10.2% which is incrementally stronger than 2012 at 10.6%. Most of this

improvement is driven by an increase in the value of farm real estate, which is expected to increase in value by $164.2 billion or 7.5% from 2012 to 2013.

Drought Impact

An extensive 2012 growing season drought in the U.S., particularly severe in the Midwest, significantly reduced crop yields and resulted in historically high crop prices and feed costs for livestock producers. Multi-peril crop insurance (MPCI) generally mitigated the economic impact of the drought for most crop producers. The USDA has reported that 84% of corn and soybean acres (collectively) were covered under MPCI in 2012. This is modestly lower than the 88% and 85% for corn and soybeans, respectively, covered in 2011. The majority of these policies provide for revenue protection. In addition, many crop producers have strengthened their financial positions over the past several years and are expected to withstand the financial impact of the drought. However, the increased prices for corn and soybeans and other grains are placing pressure on livestock, poultry, ethanol and dairy producers who rely on these inputs. Some producers mitigated a portion of this risk by locking in prices for these inputs for 2012. However, it is expected that some users of corn and soybeans in our portfolio will be unable to avoid some level of losses in 2013. As of March 31, 2013, approximately half of the U.S. was in moderate to exceptional drought conditions with a significant portion of the Western Corn Belt region covered by drought conditions. An exceptionally cold spring and excess precipitation also threaten the planting progress on several spring planted crops which has a strong potential to negatively impact 2013 crop production.

Land Values

Monitoring of agricultural land values is extensive within the District. The AgriBank District conducts an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of associations throughout the District. The District's most recent real estate market value survey indicated that District real estate values, on average, increased 15.7% over the twelve-month period ending June 30, 2012. Qualitative surveys of lending officers compiled by the Federal Reserve Banks of Chicago and Kansas City as of the end of the fourth quarter 2012 also indicated sharply increasing farmland values. The Federal Reserve Banks' survey cited year-over-year increases in the average value of non-irrigated farmland of 16% to 25%.

Declining land values are a potential lending risk following periods of sustained, rapid land value increases. Nominal and real (inflation-adjusted) agricultural land values have increased in proportions greater than other asset classes such as stocks and urban residential and commercial land during the last decade, but District agricultural land values have, for the most part, escaped the valuation declines that other assets suffered during the recession. This is largely because the agricultural sector, particularly crop farming, has remained profitable throughout the economic crisis period, and demand for agricultural land has remained very strong.

AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels on the collateral that secure loans. Although FCA regulations allow real estate mortgage loans of up to 85% of appraised value, our underwriting standards generally limit lending to no more than 65% at origination. Due to very strong land values in much of our District, many Associations have implemented risk management practices that incorporate loan-to-appraised value thresholds below 65%. In addition, many District lenders impose lending caps per acre based on the land's sustainable income-producing capacity. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk.

Funding, Liquidity and Members' Equity

The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the three months ended March 31, 2013, investor demand for Systemwide Debt Securities has remained favorable. Given the low interest rate environment, AgriBank continued to refinance callable bonds when advantageous in order to lower its cost of funds.

AgriBank is responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the debt capital markets remains its primary source of liquidity. AgriBank also maintains liquidity through its investment portfolio. Our liquidity policy and FCA regulations require maintaining a minimum of 90 days of liquidity on a continuous basis, assuming no access to the debt capital markets. This days of liquidity measurement refers to the number of days of maturing debt covered by liquid investments. We currently operate with a liquidity operating target of at least 125 days. As of March 31, 2013, AgriBank had sufficient liquidity to fund all debt maturing within 165 days. AgriBank also has a contingency plan in the event that there is not ready access to traditional funding sources. These potential actions include borrowing overnight via federal funds, using investment securities as collateral to borrow, using the proceeds from maturing investments and selling our liquid investments. The composition of the liquidity investment portfolio is structured to provide at least 15 days of liquidity coverage in a combination of U.S. Treasury securities maturing within 3 years, debt to be settled and cash held in Federal Reserve Banks. At March 31, 2013 AgriBank held qualifying assets in excess of that required to meet the 15 days of liquidity coverage.

Total members' equity at March 31, 2013 was $14.8 billion, a $444.3 million increase from December 31, 2012. Members' equity was positively impacted by net income for the period and changes in other comprehensive income. These increases were partially offset by earnings reserved for patronage distributions and decreased capital stock and participation certificates.

The noncontrolling interest represents the equity investment of Farm Credit System entities outside the AgriBank District who have ownership interests in AgDirect, LLP and Farm Credit Foundations (FCF). The noncontrolling interest for the AgDirect program and FCF at March 31, 2013 was $22.5 million and $0.4 million, respectively. Refer to Notes 1 and 2 in the 2012 annual report for a more complete description.

During 2013, AgriBank's Board of Directors, the affiliated Associations and OFIs and the FCA approved the issuance of up to $400 million of preferred stock. This stock, if and when issued, would have a par value of $100 per share and could only be issued, held or transferred in blocks having aggregate par value of not less than $25 thousand, to investors meeting applicable eligibility requirements. Any issuance or sale of such preferred stock would be subject to all applicable legal requirements, including without limitation, the preparation and dissemination of applicable offering documents.

In April 2013, one affiliated Association received approval from its shareholders to allow for the issuance of up to $250 million of preferred stock. The affiliated Association has submitted a request for approval from the FCA to issue up to $150 million of preferred stock.

At March 31, 2013, AgriBank and each affiliated Association exceeded the regulatory minimum capital ratios, which are further discussed in Note 4 to the combined financial statements.

Certification

The undersigned have reviewed the March 31, 2013 quarterly report of AgriBank, FCB and Affiliated Associations which has been prepared under the oversight of the AgriBank audit committee 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.

Richard Davidson
Chairman of the Board
AgriBank, FCB
May 10, 2013

L. William York
Chief Executive Officer
AgriBank, FCB
May 10, 2013

Brian J. O'Keane
Executive Vice President, Banking and Finance and Chief Financial Officer
AgriBank, FCB
May 10, 2013

Combined Statements of Condition

AgriBank, FCB and Affiliated Associations

(Dollars in thousands)
(unaudited)

	March 31, 2013	December 31, 2012
Assets		
Loans	**$75,571,926**	$77,089,134
Allowance for loan losses	**262,657**	262,930
Net loans	**75,309,269**	76,826,204
Investment securities - AgriBank, FCB	**11,555,012**	10,987,313
Investment securities - Affiliated Associations	**2,192,276**	2,275,266
Other earning assets	**71,096**	144,199
Cash	**458,246**	560,753
Federal funds	**845,675**	744,548
Accrued interest receivable	**712,663**	793,344
Premises and equipment, net	**366,622**	360,464
Deferred tax assets, net	**10,766**	10,919
Assets held for lease, net	**495,158**	505,005
Derivative assets	**60,182**	70,255
Other property owned	**77,774**	67,836
Debt issuance costs	**50,745**	53,769
Other assets	**107,712**	108,804
Total assets	**$92,313,196**	$93,508,679
Liabilities		
Bonds and notes	**$75,755,203**	$77,135,855
Subordinated notes	**600,000**	600,000
Accrued interest payable	**207,954**	195,057
Derivative liabilities	**12,023**	18,345
Deferred tax liabilities, net	**137,975**	145,221
Accounts payable	**71,102**	124,686
Patronage payable	**20,536**	209,534
Postretirement liability	**504,498**	499,503
Cash collateral pledged by counterparties	**21,650**	22,320
Other liabilities	**209,483**	229,695
Total liabilities	**77,540,424**	79,180,216
Commitments and contingencies	**--**	--
Members' equity		
Protected borrower equities	**303**	305
Capital stock and participation certificates	**261,708**	261,818
Allocated surplus	**316,097**	302,789
Unallocated surplus	**14,718,732**	14,324,793
Accumulated other comprehensive loss	**(546,987)**	(583,324)
Noncontrolling interest	**22,919**	22,082
Total members' equity	**14,772,772**	14,328,463
Total liabilities and members' equity	**$92,313,196**	$93,508,679

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

Combined Statements of Comprehensive Income

AgriBank, FCB and Affiliated Associations

(Dollars in thousands)
(Unaudited)

For the three months ended March 31,	**2013**	2012
Interest income		
Loans	**$777,463**	$760,974
Investment securities and other earning assets	**36,838**	37,985
Total interest income	**814,301**	798,959
Interest expense	**207,499**	252,345
Net interest income	**606,802**	546,614
Provision for (reversal of) credit losses	**1,822**	(16,561)
Net interest income after provision for (reversal of) credit losses	**604,980**	563,175
Non-interest income		
Loan prepayment and fee income	**32,033**	12,697
Financially related services	**18,546**	21,298
Mineral income	**17,275**	12,551
Miscellaneous income and other gains, net	**16,696**	8,989
Total non-interest income	**84,550**	55,535
Non-interest expense		
Salaries and employee benefits	**151,811**	128,058
Other operating expenses	**71,540**	65,254
Farm Credit System insurance expense	**16,955**	7,681
Loss on debt extinguishment	**3,951**	--
Impairment losses recognized in earnings:		
Total other-than-temporary impairment losses	**443**	15,394
Portion of loss recognized in other comprehensive income	**--**	(9,899)
Net impairment losses recognized in earnings	**443**	5,495
Total non-interest expense	**244,700**	206,488
Income before income taxes	**444,830**	412,222
Provision for income taxes	**16,884**	14,141
Net income	**$427,946**	$398,081
Other comprehensive income (loss)		
Investments available-for-sale:		
Not-other-than-temporary-impaired investments	**(20,568)**	(501)
Other-than-temporary-impaired investments	**28,667**	10,118
Derivatives and hedging activity	**17,890**	24,459
Employee benefit plans activity	**10,348**	7,331
Total other comprehensive income	**36,337**	41,407
Comprehensive income	**$464,283**	$439,488

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

Combined Statements of Changes in Members' Equity

AgriBank, FCB and Affiliated Associations

(Dollars in thousands)

(Unaudited)

	Protected Borrower Equities	Capital Stock and Participation Certificates	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Members' Equity
Balance at December 31, 2011	$2,056	$253,382	$290,516	$12,875,783	$(594,096)	$6,259	$12,833,900
Noncontrolling interest equity investment						3,460	3,460
Net income				398,081			398,081
Other comprehensive income					41,407		41,407
Patronage				(16,427)			(16,427)
Surplus allocated under nonqualified patronage program			10,302	(10,302)			--
Redemption of surplus allocated under nonqualified patronage program			(18,455)				(18,455)
Capital stock/participation certificates issued		7,115					7,115
Capital stock/participation certificates retired	(268)	(6,495)					(6,763)
Balance at March 31, 2012	$1,788	$254,002	$282,363	$13,247,135	$(552,689)	$9,719	$13,242,318
Balance at December 31, 2012	**$305**	**$261,818**	**$302,789**	**$14,324,793**	**$(583,324)**	**$22,082**	**$14,328,463**
Noncontrolling interest equity investment						**837**	**837**
Net income				**427,946**			**427,946**
Other comprehensive income					**36,337**		**36,337**
Patronage				**(20,394)**			**(20,394)**
Surplus allocated under nonqualified patronage program			**13,613**	**(13,613)**			**--**
Redemption of surplus allocated under nonqualified patronage program			**(305)**				**(305)**
Capital stock/participation certificates issued		**6,506**					**6,506**
Capital stock/participation certificates retired	**(2)**	**(6,616)**					**(6,618)**
Balance at March 31, 2013	**$303**	**$261,708**	**$316,097**	**$14,718,732**	**$(546,987)**	**$22,919**	**$14,772,772**

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

Combined Statements of Cash Flows

AgriBank, FCB and Affiliated Associations

(Dollars in thousands)
(Unaudited)

For the three months ended March 31,	2013	2012
Cash flows from operating activities		
Net income	**$427,946**	$398,081
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	**8,845**	8,553
Gain on sales of premises and equipment	**(850)**	(588)
Depreciation on assets held for lease	**22,579**	19,035
(Gain) loss on disposal of assets held for lease	**(447)**	74
Provision for (reversal of) credit losses	**1,822**	(16,561)
(Gain) loss on other property owned	**(2,462)**	1,590
Loss on debt extinguishment	**3,951**	--
Loss on derivative activities	**769**	1,841
Net impairment losses recognized in earnings	**443**	5,495
Amortization of premiums and discounts on loans and investments	**11,555**	10,483
Changes in operating assets and liabilities:		
Accrued interest receivable	**80,681**	111,754
Other assets	**4,269**	(100,550)
Accrued interest payable	**12,897**	21,977
Other liabilities	**(61,523)**	(22,231)
Total adjustments	**82,529**	40,872
Net cash provided by operating activities	**510,475**	438,953
Cash flows from investing activities		
Decrease in loans, net	**1,495,845**	459,052
Proceeds from sales of other property owned	**7,218**	8,173
Decrease in other earning assets, net	**73,103**	72,273
Increase in investment securities, net	**(488,210)**	(564,097)
Purchases of assets held for lease, net	**(12,285)**	(18,425)
Purchases of premises and equipment, net	**(14,153)**	(12,956)
Net cash provided by (used in) investing activities	**1,061,518**	(55,980)
Cash flows from financing activities		
Consolidated bonds and notes issued	**48,957,326**	61,344,049
Consolidated bonds and notes retired	**(50,321,057)**	(61,422,576)
Decrease in cash collateral pledged by counterparties	**(670)**	(8,230)
Patronage distribution paid	**(209,066)**	(198,965)
Redemption of surplus allocated under nonqualifed patronage program	**(305)**	(18,455)
Capital stock/participation certificates (retired) issued, net	**(438)**	18
Increase in noncontrolling interest	**837**	3,460
Net cash used in financing activities	**(1,573,373)**	(300,699)
Net (decrease) increase in cash and federal funds	**(1,380)**	82,274
Cash and federal funds at beginning of year	**1,305,301**	886,838
Cash and federal funds at end of year	**$1,303,921**	$969,112
Supplemental schedule of non-cash activities		
Decrease in derivative assets	**$10,073**	$603
Decrease in derivative liabilities	**(6,322)**	(5,866)
Decrease in bonds from derivative activity	**(20,872)**	(17,355)
Increase in members' equity from cash flow derivatives	**17,890**	24,459
Increase in members' equity from investment securities	**8,099**	9,617
Increase in members' equity from employee benefits	**10,348**	7,331
Loans transferred to other property owned	**15,235**	10,451
Patronage distributions payable to members	**20,536**	16,888
Financed sales of other property owned	**(541)**	(1,847)
Stock patronage issued	**326**	334
Supplemental Information		
Interest paid	**$194,602**	$230,368
Taxes received	**(1,491)**	(7,427)

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

NOTE 1

Organization and Significant Accounting Policies

AgriBank, FCB and Affiliated Associations comprise one of the Districts of the Farm Credit System (the System), a nationwide system of cooperatively owned banks and associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes. AgriBank and its affiliated Associations are collectively referred to as the District. At March 31, 2013, the District had 17 Agricultural Credit Association parent associations, each of which has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries and AgriBank, FCB. AgriBank, FCB (AgriBank) serves as the intermediary between the financial markets and the retail lending activities of the District Associations.

A description of the organization and operation of the District, significant accounting policies followed, combined financial condition and results of operations as of and for the year ended December 31, 2012 are contained in the 2012 annual report. These unaudited first quarter 2013 combined financial statements should be read in conjunction with the annual report. The results of the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for the year ended December 31, 2013.

The accompanying combined financial statements include the accounts of AgriBank combined with its 17 affiliated Associations and certain related entities. All significant transactions and balances between AgriBank and the Associations have been eliminated in combination. The accompanying combined financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry.

Recently Issued or Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance, "*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 annual periods beginning after December 15, 2012, 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 December 2011, the FASB issued guidance entitled, "Balance Sheet – Disclosures about Offsetting Assets and Liabilities." In January 2013, the FASB issued clarifying guidance surrounding the scope of financial instruments covered under this guidance. The offsetting disclosures are only applied to derivatives, repurchase agreements and securities lending transactions. 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 in scope financial instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those financial 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 did not impact financial condition or results of operations, but resulted in additional disclosures.

NOTE 2

Loans and Allowance for Loan Losses

Loans consisted of the following:

(in thousands)	**March 31, 2013**		December 31, 2012	
	Amount	**%**	Amount	%
Real estate mortgage	**$44,208,513**	**58.5%**	$43,808,820	56.9%
Production and intermediate term	**18,661,042**	**24.7%**	21,293,391	27.6%
Agribusiness	**7,146,705**	**9.5%**	6,402,785	8.3%
Rural residential real estate	**2,518,619**	**3.3%**	2,501,794	3.2%
Other	**3,037,047**	**4.0%**	3,082,344	4.0%
Total loans	**$75,571,926**	**100.0%**	$77,089,134	100.0%

The other category is primarily comprised of communication and energy related loans and finance leases as well as loans to AgriBank's other financial institutions and loans originated under our Mission Related Investment authority.

Participations

We 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 or Association General Financing Agreement limitations. The following table presents information regarding participations purchased and/or sold:

(in thousands)	**Other Farm Credit Institutions**		**Non-Farm Credit Institutions**		**Total**	
As of March 31, 2013	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**
Real estate mortgage	**$830,261**	**$177,729**	**$2,143,329**	**$37,232**	**$2,973,590**	**$214,961**
Production and intermediate term	**606,554**	**325,224**	**1,168,506**	**48,534**	**1,775,060**	**373,758**
Agribusiness	**3,091,053**	**549,257**	**693,501**	**267,841**	**3,784,554**	**817,098**
Rural residential real estate	**200**	**14**	**16,391**	**46**	**16,591**	**60**
Other	**1,557,529**	**107,429**	**11,753**	**--**	**1,569,282**	**107,429**
Total loans	**$6,085,597**	**$1,159,653**	**$4,033,480**	**$353,653**	**$10,119,077**	**$1,513,306**

(in thousands)	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
As of December 31, 2012	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$830,665	$154,048	$2,033,790	$37,200	$2,864,455	$191,248
Production and intermediate term	565,195	250,183	3,080,414	43,839	3,645,609	294,022
Agribusiness	2,626,587	461,628	684,936	299,231	3,311,523	760,859
Rural residential real estate	212	8	17,048	48	17,260	56
Other	1,497,242	102,082	18,582	--	1,515,824	102,082
Total loans	$5,519,901	$967,949	$5,834,770	$380,318	$11,354,671	$1,348,267

Information in the preceding chart excludes loans entered into under our Mission Related Investment and leasing authorities.

Portfolio Performance

One credit quality indicator we utilize is the Farm Credit Administration (FCA) Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are non-criticized assets representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default;
- Other Assets Especially Mentioned (Special Mention) – are currently collectible but exhibit some potential weakness. These assets involve increased credit risk, but not to the point of justifying a substandard classification;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses as 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 FCA Uniform Loan Classification System by loan type:

(in thousands) **As of March 31, 2013**	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Real estate mortgage	**$43,066,426**	**96.6%**	**$502,033**	**1.1%**	**$1,045,292**	**2.3%**	**$44,613,751**	**100.0%**
Production and intermediate term	**18,099,385**	**95.9%**	**246,248**	**1.3%**	**522,831**	**2.8%**	**18,868,464**	**100.0%**
Agribusiness	**6,625,709**	**92.3%**	**284,663**	**4.0%**	**266,189**	**3.7%**	**7,176,561**	**100.0%**
Rural residential real estate	**2,412,352**	**95.3%**	**19,408**	**0.8%**	**98,561**	**3.9%**	**2,530,321**	**100.0%**
Other	**2,949,926**	**96.9%**	**12,082**	**0.4%**	**80,798**	**2.7%**	**3,042,806**	**100.0%**
Total loans	**$73,153,798**	**96.0%**	**$1,064,434**	**1.4%**	**$2,013,671**	**2.6%**	**$76,231,903**	**100.0%**

(in thousands) As of December 31, 2012	Acceptable		Special mention		Substandard/Doubtful		Total	
Real estate mortgage	$42,612,339	96.3%	$533,087	1.2%	$1,107,867	2.5%	$44,253,293	100.0%
Production and intermediate term	20,760,442	96.3%	260,104	1.2%	532,001	2.5%	21,552,547	100.0%
Agribusiness	5,900,345	91.8%	289,457	4.5%	239,215	3.7%	6,429,017	100.0%
Rural residential real estate	2,389,026	95.0%	22,430	0.9%	102,200	4.1%	2,513,656	100.0%
Other	3,013,215	97.6%	9,437	0.3%	65,182	2.1%	3,087,834	100.0%
Total loans	$74,675,367	96.0%	$1,114,515	1.4%	$2,046,465	2.6%	$77,836,347	100.0%

The following table provides an age analysis of past due loans by loan type (accruing volume includes accrued interest receivable):

(in thousands) As of March 31, 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	Accruing loans 90 days or more past
Real estate mortgage	**$127,653**	**$146,386**	**$274,039**	**$44,339,712**	**$44,613,751**	**$13,282**
Production and intermediate term	**83,635**	**49,876**	**133,511**	**18,734,953**	**18,868,464**	**4,245**
Agribusiness	**304**	**5,987**	**6,291**	**7,170,270**	**7,176,561**	**--**
Rural residential real estate	**24,170**	**13,536**	**37,706**	**2,492,615**	**2,530,321**	**438**
Other	**31,507**	**12,984**	**44,491**	**2,998,315**	**3,042,806**	**326**
Total loans	**$267,269**	**$228,769**	**$496,038**	**$75,735,865**	**$76,231,903**	**$18,291**

(in thousands) As of 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	Accruing loans 90 days or more past due
Real estate mortgage	$142,573	$135,844	$278,417	$43,974,876	$44,253,293	$11,928
Production and intermediate term	62,754	50,235	112,989	21,439,558	21,552,547	6,670
Agribusiness	30,507	14,395	44,902	6,384,115	6,429,017	359
Rural residential real estate	29,750	15,292	45,042	2,468,614	2,513,656	332
Other	14,077	14,305	28,382	3,059,452	3,087,834	1,212
Total loans	$279,661	$230,071	$509,732	$77,326,615	$77,836,347	$20,501

Impaired Assets

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Risk loans include nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due.

(in thousands)	March 31, 2013	December 31, 2012
Nonaccrual loans:		
Current as to principal and interest	**$490,264**	$428,573
Past due	**268,917**	272,256
Total nonaccrual loans	**759,181**	700,829
Accruing restructured loans	**46,095**	45,565
Accruing loans 90 days or more past due	**18,291**	20,501
Total risk loans	**$823,567**	$766,895
Volume with specific reserves	**$240,139**	$175,035
Volume without specific reserves	**583,428**	591,860
Total risk loans	**$823,567**	$766,895
Specific reserves	**$70,495**	$60,235

For the three months ended March 31,	2013	2012
Income on accrual risk loans	**$816**	$745
Income on nonaccrual loans	**6,558**	9,944
Total income on risk loans	**$7,374**	$10,689
Average risk loans	**$786,849**	$919,688

Risk assets by loan type (accruing volume includes accrued interest receivable) are as follows:

(in thousands)	**March 31, 2013**	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	**$441,016**	$419,837
Production and intermediate term	**202,779**	172,109
Agribusiness	**30,093**	38,817
Rural residential real estate	**49,245**	51,063
Other	**36,048**	19,003
Total nonaccrual loans	**$759,181**	$700,829
Accruing restructured loans:		
Real estate mortgage	**$33,250**	$33,099
Production and intermediate term	**4,071**	3,589
Agribusiness	**4,383**	4,398
Rural residential real estate	**397**	398
Other	**3,994**	4,081
Total accruing restructured loans	**$46,095**	$45,565
Accruing loans 90 days or more past due:		
Real estate mortgage	**$13,282**	$11,928
Production and intermediate term	**4,245**	6,670
Agribusiness	**--**	359
Rural residential real estate	**438**	332
Other	**326**	1,212
Total accruing loans 90 days or more past due	**$18,291**	$20,501
Total risk loans	**$823,567**	$766,895
Other property owned	**$77,774**	$67,836
Total risk assets	**$901,341**	$834,731

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information:

(in thousands)	As of March 31, 2013			For the three months ended March 31, 2013	
	Recorded Investment*	**Unpaid Principal Balance****	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized**
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$101,599**	**$130,187**	**$24,817**	**$95,820**	**$ --**
Production and intermediate term	**100,961**	**198,281**	**35,124**	**91,011**	**--**
Agribusiness	**2,796**	**6,584**	**1,315**	**2,872**	**--**
Rural residential real estate	**8,411**	**11,719**	**1,544**	**8,616**	**--**
Other	**26,372**	**26,933**	**7,695**	**15,545**	**--**
Total	**$240,139**	**$373,704**	**$70,495**	**$213,864**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$385,949**	**$485,414**	**$ --**	**$364,765**	**$3,359**
Production and intermediate term	**110,134**	**160,845**	**--**	**110,330**	**2,698**
Agribusiness	**31,680**	**39,216**	**--**	**41,574**	**866**
Rural residential real estate	**41,669**	**53,832**	**--**	**41,629**	**393**
Other	**13,996**	**13,936**	**--**	**14,687**	**58**
Total	**$583,428**	**$753,243**	**$ --**	**$572,985**	**$7,374**
Total impaired loans:					
Real estate mortgage	**$487,548**	**$615,601**	**$24,817**	**$460,585**	**$3,359**
Production and intermediate term	**211,095**	**359,126**	**35,124**	**201,341**	**2,698**
Agribusiness	**34,476**	**45,800**	**1,315**	**44,446**	**866**
Rural residential real estate	**50,080**	**65,551**	**1,544**	**50,245**	**393**
Other	**40,368**	**40,869**	**7,695**	**30,232**	**58**
Total	**$823,567**	**$1,126,947**	**$70,495**	**$786,849**	**$7,374**

(in thousands)	As of December 31, 2012			For the three months ended March 31, 2012	
	Recorded Investment*	Unpaid Principal Balance**	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$79,805	$108,370	$21,486	$112,481	$ --
Production and intermediate term	72,978	119,237	31,696	127,920	--
Agribusiness	3,862	7,550	1,468	56,580	--
Rural residential real estate	8,784	12,055	1,936	11,834	--
Other	9,606	10,062	3,649	2,948	--
Total	$175,035	$257,274	$60,235	$311,763	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$385,059	$481,570	$ --	$406,401	$4,207
Production and intermediate term	109,390	206,515	--	121,793	3,946
Agribusiness	39,712	48,993	--	17,582	2,009
Rural residential real estate	43,009	54,128	--	47,996	440
Other	14,690	14,607	--	14,153	87
Total	$591,860	$805,813	$ --	$607,925	$10,689
Total impaired loans:					
Real estate mortgage	$464,864	$589,940	$21,486	$518,882	$4,207
Production and intermediate term	182,368	325,752	31,696	249,713	3,946
Agribusiness	43,574	56,543	1,468	74,162	2,009
Rural residential real estate	51,793	66,183	1,936	59,830	440
Other	24,296	24,669	3,649	17,101	87
Total	$766,895	$1,063,087	$60,235	$919,688	$10,689

*The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges and acquisition costs and may also reflect a previous direct write-down of the investment. The recorded investment may be less than the unpaid principal balance as payments on non-cash basis nonaccrual loans reduce the recorded investment.
**Unpaid principal balance represents the contractual principal balance of the loan.

Troubled Debt Restructurings

The following table presents information regarding troubled debt restructurings that occurred during the respective periods:

(in thousands) **As of March 31, 2013**	**Pre-modification Outstanding Recorded Investment***	**Post-modification Outstanding Recorded Investment***
Troubled debt restructurings:		
Real estate mortgage	**$4,682**	**$4,684**
Production and intermediate term	**24,421**	**24,354**
Agribusiness	**277**	**278**
Rural residential real estate	**115**	**88**
Total loans	**$29,495**	**$29,404**

(in thousands) As of March 31, 2012	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$5,033	$5,037
Production and intermediate term	3,634	3,557
Rural residential real estate	570	570
Total loans	$9,237	$9,164

* Pre-modification outstanding represents the recorded investment just prior to restructuring and post-modification outstanding represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges and acquisition costs and may also reflect a previous direct write-down of the investment.

A restructuring of a loan constitutes a troubled debt restructuring, also known as formally restructured, 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. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. The post-modification outstanding recorded investment may be higher than the pre-modification outstanding recorded investment, in certain segments, primarily due to the acceptance of additional collateral as well as amounts capitalized upon restructuring. As this table illustrates and as discussed above, we generally provide concessions which do not reduce the principal or interest to be collected. In limited circumstances, principal may be forgiven. When a restructured loan constitutes a troubled debt restructuring, these loans are included within our risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the formally restructured loan to the lower of book value or net realizable value of collateral, if required.

The following table presents information regarding troubled debt restructurings that occurred within the previous 12 months and for which there was a subsequent payment default during the respective periods:

(in thousands) **As of March 31,**	**Recorded Investment 2013**	Recorded Investment 2012
Troubled debt restructurings that subsequently defaulted:		
Real estate mortgage	**$2,155**	$1,077
Production and intermediate term	**320**	493
Rural residential real estate	**272**	378
Total	**$2,747**	$1,948

Troubled debt restructurings outstanding at March 31, 2013 totaled $172.1 million, of which $126.0 million were in nonaccrual status. This is compared to $163.5 million of which $117.9 million were in nonaccrual status at December 31, 2012. Additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring totaled $6.0 million at March 31, 2013.

Allowance for Loan Losses

A summary of the allowance for loan losses follows:

(in thousands)

For the three months ended March 31,	**2013**	2012
Balance at beginning of year	**$262,930**	$300,508
Provision for loan losses	**5,998**	(15,561)
Charge-offs	**(10,903)**	(16,066)
Recoveries	**4,632**	7,531
Balance at end of period	**$262,657**	$276,412

During the three months ended March 31, 2013, we decreased our allowance for loan losses by $0.3 million. The decline in the allowance was primarily driven by net charge-offs of $6.3 million partially offset by provision for loan losses of $6.0 million (not including reversal of provision for unfunded commitments and unfunded letters of credit of $3.0 million and $1.2 million, respectively). AgriBank and affiliated Associations' management consider the allowance for loan losses at March 31, 2013 to be reasonable in relation to the risk in the loan portfolios.

A summary of changes in the allowance for loan losses and period end recorded investments in loans by loan type are as follows:

(in thousands)	Real estate mortgage	Production and intermediate term	Agribusiness	Rural residential real estate	Other	Total
Allowance for loan losses:						
Balance at December 31, 2012	**$94,385**	**$91,565**	**$48,434**	**$11,683**	**$16,863**	**$262,930**
Provision for (reversal of) loan losses	**(846)**	**69**	**1,936**	**1,007**	**3,832**	**5,998**
Charge-offs	**(4,867)**	**(3,339)**	**(565)**	**(2,132)**	**--**	**(10,903)**
Recoveries	**3,224**	**1,075**	**172**	**161**	**--**	**4,632**
Balance at March 31, 2013	**$91,896**	**$89,370**	**$49,977**	**$10,719**	**$20,695**	**$262,657**
At March 31, 2013:						
Ending balance: individually evaluated for impairment	**$24,817**	**$35,124**	**$1,315**	**$1,544**	**$7,695**	**$70,495**
Ending balance: collectively evaluated for impairment	**$67,079**	**$54,246**	**$48,662**	**$9,175**	**$13,000**	**$192,162**
Recorded investments in loans outstanding:						
Ending balance at March 31, 2013	**$44,613,751**	**$18,868,464**	**$7,176,561**	**$2,530,321**	**$3,042,806**	**$76,231,903**
Ending balance for loans individually evaluated for impairment	**$487,548**	**$211,095**	**$34,476**	**$50,080**	**$40,368**	**$823,567**
Ending balance for loans collectively evaluated for impairment	**$44,126,203**	**$18,657,369**	**$7,142,085**	**$2,480,241**	**$3,002,438**	**$75,408,336**

(in thousands)	Real estate mortgage	Production and intermediate term	Agribusiness	Rural residential real estate	Other	Total
Allowance for loan losses:						
Balance at December 31, 2011	$107,075	$124,448	$47,933	$12,789	$8,263	$300,508
Provision for (reversal of) loan losses	4,092	(12,623)	(6,361)	(1,205)	536	(15,561)
Charge-offs	(6,236)	(4,692)	(3,671)	(1,466)	(1)	(16,066)
Recoveries	5,160	2,157	170	43	1	7,531
Balance at March 31, 2012	$110,091	$109,290	$38,071	$10,161	$8,799	$276,412
At December 31, 2012:						
Ending balance: individually evaluated for impairment	$21,486	$31,696	$1,468	$1,936	$3,649	$60,235
Ending balance: collectively evaluated for impairment	$72,899	$59,869	$46,966	$9,747	$13,214	$202,695
Recorded investments in loans outstanding:						
Ending balance at December 31, 2012	$44,253,293	$21,552,547	$6,429,017	$2,513,656	$3,087,834	$77,836,347
Ending balance for loans individually evaluated for impairment	$464,864	$182,368	$43,574	$51,793	$24,296	$766,895
Ending balance for loans collectively evaluated for impairment	$43,788,429	$21,370,179	$6,385,443	$2,461,863	$3,063,538	$77,069,452

NOTE 3

Investment Securities and Federal Funds

AgriBank Investment Securities and Federal Funds

A summary of investment securities and federal funds follows:

(in thousands) As of March 31, 2013	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	**$4,220,274**	**$46,520**	**$7,787**	**$4,259,007**	**1.1%**
U.S. Treasury securities	**3,290,514**	**4,865**	**--**	**3,295,379**	**1.3%**
Commercial paper and other	**3,173,755**	**106**	**401**	**3,173,460**	**0.3%**
Federal funds	**845,675**	**--**	**--**	**845,675**	**0.1%**
Asset-backed securities	**660,909**	**6,163**	**17,861**	**649,211**	**0.4%**
U.S. Agencies	**168,495**	**9,460**	**--**	**177,955**	**4.2%**
Total	**$12,359,622**	**$67,114**	**$26,049**	**$12,400,687**	**0.9%**

(in thousands) As of December 31, 2012	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$4,138,378	$47,366	$12,232	$4,173,512	1.1%
U.S. Treasury securities	3,186,053	4,619	24	3,190,648	1.3%
Commercial paper and other	2,856,341	325	103	2,856,563	0.3%
Federal funds	744,548	--	--	744,548	0.1%
Asset-backed securities	559,342	5,398	23,766	540,974	0.5%
U.S. Agencies	214,233	11,383	--	225,616	4.2%
Total	$11,698,895	$69,091	$36,125	$11,731,861	0.9%

Commercial paper and other is primarily corporate commercial paper, certificates of deposit and term federal funds. All securities are classified as available-for-sale.

A summary of the contractual maturity at fair value and weighted average yield by maturity of investment securities and federal funds follows:

(in thousands)	**Year of Maturity**				
As of March 31, 2013	**One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Mortgage-backed securities	**$ --**	**$13,453**	**$130,137**	**$4,115,417**	**$4,259,007**
U.S. Treasury securities	**1,468,698**	**1,826,681**	**--**	**--**	**3,295,379**
Commercial paper and other	**3,173,460**	**--**	**--**	**--**	**3,173,460**
Federal funds	**845,675**	**--**	**--**	**--**	**845,675**
Asset-backed securities	**--**	**525,315**	**3,589**	**120,307**	**649,211**
U.S. Agencies	**68,803**	**109,152**	**--**	**--**	**177,955**
Total	**$5,556,636**	**$2,474,601**	**$133,726**	**$4,235,724**	**$12,400,687**
Weighted average yield	**0.6%**	**1.3%**	**0.8%**	**1.1%**	**0.9%**

The expected average life is 1.5 years for asset-backed securities and 3.2 years for mortgage-backed securities at March 31, 2013. Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

A summary of the investments in an unrealized loss position presented by the length of time that the investments have been in a continuous unrealized loss position follows:

(in thousands)	**Less than 12 months**		**More than 12 months**	
	Fair	**Unrealized**	**Fair**	**Unrealized**
As of March 31, 2013	**Value**	**Losses**	**Value**	**Losses**
Mortgage-backed securities	**$589,434**	**$1,154**	**$200,859**	**$6,633**
Commercial paper and other	**2,253,696**	**401**	**--**	**--**
Asset-backed securities	**385,514**	**212**	**96,204**	**17,649**
Total	**$3,228,644**	**$1,767**	**$297,063**	**$24,282**

(in thousands)	Less than 12 months		More than 12 months	
	Fair	Unrealized	Fair	Unrealized
As of December 31, 2012	Value	Losses	Value	Losses
Mortgage-backed securities	$377,826	$1,096	$308,222	$11,136
U.S. Treasury securities	124,949	24	--	--
Commercial paper and other	665,523	103	--	--
Asset-backed securities	84,915	79	119,812	23,687
Total	$1,253,213	$1,302	$428,034	$34,823

AgriBank evaluates its investment securities for other-than-temporary impairment on a quarterly basis. Factors considered in determining whether an impairment is other-than-temporary include: 1) the length of time and the extent to which the fair value is less than cost, 2) the financial condition and near-term prospects of the issuer and, if applicable, the financial condition of any financial guarantor, 3) the estimated cash flow projections compared to contractual cash flows and 4) AgriBank's intent to sell the impaired security and whether AgriBank is more likely than not to be required to sell the security before recovery. In addition, AgriBank qualitatively considers other available information when assessing whether impairment is other-than-temporary. Based on the results of these evaluations, if it is determined that the impairment is other-than-temporary, the loss is separated into credit-related and non-credit-related components. The credit-related component is recognized through earnings and the non-credit-related component is recognized in other comprehensive income. The credit-related components of the other-than-temporary impairment losses were determined by projecting cash flows using cash flow models which require certain market assumptions. The significant inputs into the models include assumptions with regard to interest rates, prepayment speeds, default rates and loss severities. The assumptions are applied at the individual security and associated collateral pool level. Default rate assumptions are generally estimated using historical loss and performance information to estimate future defaults. Prepayment speed assumptions are based on historical prepayment rates. Loss severity assumptions are estimated based on underlying collateral type using research available from market research sources including broker/dealers and rating agencies as well as recent historical information.

The unrealized losses primarily reflect concerns about the creditworthiness and liquidity of home equity related asset-backed and non-agency mortgage-backed securities. AgriBank determined that securities with a fair value of $192.0 million at March 31, 2013 were in an other-than-temporary loss position compared to securities with a fair value of $189.1 million at December 31, 2012. As a result of its evaluations, AgriBank has recognized $0.4 million in net impairment losses during the three months ended March 31, 2013, reflecting a gross impairment charge of $0.4 million, all of which related to the credit component. AgriBank has determined no other securities were in an other-than-temporary loss position at March 31, 2013.

The following represents the activity related to the credit-loss component for investments that have been written down for other-than-temporary impairment that has been recognized in earnings:

(in thousands) **For the the year ended March 31,**	**2013**	2012
Credit-loss component, beginning of year	**$129,162**	$103,680
Additions:		
Initial credit impairment	**--**	998
Subsequent credit impairments	**443**	4,497
Reductions:		
For increases in expected cash flows	**(2,003)**	(11)
Credit-loss component, end of year	**$127,602**	$109,164

Affiliated Association Investment Securities

Investments held by certain affiliated Associations consisted of the following held-to-maturity investments:

(in thousands) **As of March 31, 2013**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Government guaranteed instruments	**$1,901,023**	**$21,652**	**$32,501**	**$1,890,174**	**2.5%**
Farmer Mac mortgage-backed securities	**285,072**	**4,217**	**115**	**289,174**	**4.6%**
ARC bonds	**2,946**	**35**	**--**	**2,981**	**4.5%**
Venture capital equity investment	**3,235**	*****	*****	*****	*****
Total	**$2,192,276**	**$25,904**	**$32,616**	**$2,182,329**	**2.8%**

(in thousands) **As of December 31, 2012**	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Government guaranteed instruments	$1,968,661	$21,922	$34,217	$1,956,366	2.5%
Farmer Mac mortgage-backed securities	302,650	5,361	112	307,899	4.7%
ARC bonds	720	35	--	755	9.8%
Venture capital equity investment	3,235	*	*	*	*
Total	$2,275,266	$27,318	$34,329	$2,265,020	2.8%

* Not applicable due to the nature of the investment

NOTE 4

Capital

FCA's capital adequacy regulations require AgriBank and the affiliated Associations to maintain permanent capital of at least 7.0% of risk-adjusted assets. In addition, each System institution is required to maintain a total surplus to risk-adjusted assets ratio of at least 7.0% and a core surplus to risk-adjusted assets ratio of at least 3.5%. At March 31, 2013, AgriBank exceeded these requirements with a 21.2% permanent capital ratio, 17.6% total surplus ratio and 10.4% core surplus ratio. All District Associations exceeded the regulatory minimums at March 31, 2013.

FCA regulations also require AgriBank to maintain a net collateral ratio of at least 103.0%. However, AgriBank is required by the regulator to maintain a higher minimum of 104.0% during the period in which AgriBank has subordinated notes outstanding. At March 31, 2013, AgriBank's net collateral ratio was 106.2%.

NOTE 5

Employee Benefit Plans

Net periodic benefit costs included the following components:

(in thousands)	2013		2012	
For the three months ended March 31,	**Pension Benefits**	**Other Benefits**	Pension Benefits	Other Benefits
Components of net periodic benefit cost				
Service cost	**$7,332**	**$148**	$6,507	$140
Interest cost	**11,237**	**334**	11,509	366
Expected return on plan assets	**(12,378)**	**--**	(11,794)	--
Amortization of prior service cost	**(300)**	**(173)**	(283)	(174)
Actuarial loss (gain)	**10,821**	**--**	7,843	(55)
Net periodic benefit cost	**$16,712**	**$309**	$13,782	$277

The District previously disclosed in our combined financial statements for the year ended December 31, 2012, that the District expected to contribute $58.7 million for pension benefits and $1.8 million for other postretirement benefits in 2013.

For the three months ended March 31, 2013, District employers have not made a contribution to the pension plans. District employers anticipate contributing $58.7 million to fund pension benefits in 2013.

For the three months ended March 31, 2013, District employers have contributed $0.4 million for other postretirement benefits. District employers anticipate contributing an additional $1.4 million for other postretirement benefits in 2013.

NOTE 6

Fair Value Measurements

Accounting guidance defines fair value, establishes a framework for measuring fair value and requires disclosures for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities consist of investments available-for-sale, federal funds, derivative assets and liabilities, impaired loans, other property owned, collateral liabilities and certain letters of credit. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Refer to Note 2 within the 2012 annual report for a more complete description of these input levels. Accounting guidance also establishes a framework for measuring the fair value of other financial instruments that are not measured at fair value on the Combined Statements of Condition. These assets and liabilities consist of cash, investments held-to-maturity, loans, other earning assets, bonds and notes, subordinated notes and commitments to extend credit and certain letters of credit.

Recurring Measurements

The following represents a summary of the valuation techniques and inputs used to measure fair value on a recurring basis:

Federal Funds: The fair value of federal funds is generally their face value, plus accrued interest, as these instruments are highly liquid, readily convertible to cash, and short-term in nature.

Investments Available-for-Sale: The fair value of substantially all of our investment securities are determined from third-party valuation services that estimate current market prices. Level 2 inputs and assumptions related to third-party market valuation services are typically observable in the marketplace. Such services incorporate repayment assumptions and underlying mortgage-backed or asset-backed collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities including LIBOR, Treasury and other Index benchmarks. Third-party valuations also incorporate information regarding broker/dealer quotes, available trade information, historical cash flows, credit ratings and other market information. Such valuations represent an estimated exit price, or price to be received by a seller in active markets to sell the investment securities to a willing participant. Level 3 inputs are based on the relatively illiquid marketplace for some investments and the lack of marketplace information available for significant inputs and assumptions to the valuation process. The fair value measurements of these assets are based on multiple factors including information obtained from third-party valuation services using both Level 2 and Level 3 inputs. These inputs include volatilities, market spreads, default probabilities, loss severities, prepayment speeds and dealer quotes. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default may be accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Accounting guidance requires us to provide quantitative information about significant unobservable inputs used in the fair value measurement for recurring and nonrecurring assets and liabilities within Level 3. However, a reporting entity is not required to create quantitative information if the unobservable inputs are not developed by the reporting entity. As the fair value is determined by third-party valuation services without adjustment by management, we have not reported this disclosure as these inputs are not reasonably available to us. The valuation process is described above.

Derivative Assets and Liabilities: The fair value of our derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer a derivative liability in active markets among willing participants at the reporting date. Estimated fair values are determined through internal market valuation models. These models incorporate LIBOR swap curves, market volatilities and other inputs which are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results.

Cash Collateral Pledged by Counterparties: The majority of derivative contracts are supported by bilateral collateral agreements with counterparties requiring the posting of cash or investment securities as collateral in the event certain dollar thresholds of credit exposure are reached. The market value of cash collateral pledged by counterparties is its face value as that approximates fair value.

Standby Letters of Credit: Estimating the fair value of letters of credit is determined by the inherent credit loss in such instruments.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

(in thousands)				
	Fair Value Measurement Using			Total Fair
As of March 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	$ --	$845,675	$ --	$845,675
Investments available-for-sale:				
Mortgage-backed securities	--	4,020,555	238,452	4,259,007
U.S. Treasury securities	--	3,295,379	--	3,295,379
Commercial paper and other	--	3,173,460	--	3,173,460
U.S. Agency securities	--	177,955	--	177,955
Asset-backed securities	--	525,315	123,896	649,211
Total investments available-for-sale	--	11,192,664	362,348	11,555,012
Derivative assets	--	60,182	--	60,182
Total assets	$ --	$12,098,521	$362,348	$12,460,869
Liabilities:				
Cash collateral pledged by counterparties	$21,650	$ --	$ --	$21,650
Derivative liabilities	--	12,023	--	12,023
Standby letters of credit	--	--	2,574	2,574
Total liabilities	$21,650	$12,023	$2,574	$36,247

(in thousands)

As of December 31, 2012	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Federal funds	$ --	$744,548	$ --	$744,548
Investments available-for-sale:				
Mortgage-backed securities	--	3,933,012	240,500	4,173,512
U.S. Treasury securities	--	3,190,648	--	3,190,648
Commercial paper and other	--	2,856,563	--	2,856,563
U.S. Agency securities	--	225,616	--	225,616
Asset-backed securities	--	415,535	125,439	540,974
Total investments available-for-sale	--	10,621,374	365,939	10,987,313
Derivative assets	--	70,255	--	70,255
Total assets	$ --	$11,436,177	$365,939	$11,802,116
Liabilities:				
Cash collateral pledged by counterparties	$22,320	$ --	$ --	$22,320
Derivative liabilities	--	18,345	--	18,345
Standby letters of credit	--	--	3,750	3,750
Total liabilities	$22,320	$18,345	$3,750	$44,415

The table below represents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Level 3 Instruments Only	**Total Fair Value Measurement**		
	Investments Available-for-Sale		
(In thousands)	**Asset-backed Securities**	**Mortgage-backed Securities**	**Standby Letters of Credit**
Balance at December 31, 2012	**$125,439**	**$240,500**	**$(3,750)**
Total gains or (losses) realized/unrealized:			
Included in earnings	**--**	**(443)**	**1,176**
Included in other comprehensive income	**6,670**	**7,763**	**--**
Settlements	**(8,213)**	**(9,368)**	**--**
Transfers in and/or out of Level 3	**--**	**--**	**--**
Balance at March 31, 2013	**$123,896**	**$238,452**	**$(2,574)**

Level 3 Instruments Only	Total Fair Value Measurement		
	Investments Available-for-Sale		
(In thousands)	Asset-backed Securities	Mortgage-backed Securities	Standby Letters of Credit
Balance at December 31, 2011	$146,102	$253,741	$ --
Total gains or (losses) realized/unrealized:			
Included in earnings	(1,093)	(4,402)	--
Included in other comprehensive income	651	14,651	--
Settlements	(12,304)	(11,259)	--
Transfers in and/or out of Level 3	--	--	--
Balance at March 31, 2012	$133,356	$252,731	$ --

We did not have any assets or liabilities transfer between levels during the three months ended March 31, 2013.

Non-Recurring Measurements

The following represents a summary of the valuation techniques and inputs used to measure fair value on a non-recurring basis:

Loans: Certain collateral dependent loans are measured at fair value on a non-recurring basis when they are evaluated for impairment under accounting guidance in which fair values are based upon the underlying collateral. Costs to sell represent transaction costs and are not included as a component of the fair value. Since the value of the collateral, less estimated costs to sell, was less than the principal balance of the loan, specific reserves were established for these loans. If the process uses independent appraisals and other market-based information, they fall under Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they fall under Level 3.

Other Property Owned: Other property owned is measured at fair value on a non-recurring basis when the fair value for other property owned is based upon the collateral fair value. Costs to sell represent transaction costs and are not included as a component of the fair value. If the process uses independent appraisals and other market-based information, they fall under Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they fall under Level 3.

Assets measured at fair value on a non-recurring basis are summarized below:

(in thousands)	**Fair Value Measurement Using**			**Total Fair**	**Total**
As of March 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Value**	**Gains (Losses)**
Assets:					
Loans	**$ --**	**$67,721**	**$119,497**	**$187,218**	**$(21,163)**
Other property owned	**--**	**--**	**80,885**	**80,885**	**2,462**

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2012	Level 1	Level 2	Level 3	Value	Losses
Assets:					
Loans	$ --	$51,432	$71,739	$123,171	$(47,645)
Other property owned	--	--	70,549	70,549	(22,469)

Other Financial Instrument Measurements

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, measured at carrying amounts and not measured at fair value on the Combined Statements of Condition, follows:

Cash: The carrying value is a reasonable estimate of fair value.

Investments held-to-maturity: Investment securities held-to-maturity are valued using a discounted cash flow model based on the appropriate interest rate yield curve, prepayment rates, contractual investment information and credit classification.

Loans: Because no active market exists for our loans, the fair value of loans that are not individually specifically impaired is estimated by segregating the loan portfolio into pools of loans with approximate homogeneous characteristics. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool. The expected future cash flows are discounted using current interest rates

at which similar loans would be made or repriced to borrowers with similar credit risk. In addition, loans are valued using the Farm Credit interest rate yield curve, prepayment rates, contractual loan information, credit classification and collateral values. As the discount rates are based upon internal pricing mechanisms and other management estimates, management has no basis to determine whether the fair values presented would be indicative of the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of Farm Credit System borrowers, could render our portfolio less marketable outside the Farm Credit System.

Other Earning Assets: Other earning assets are valued using a discounted cash flow model based on the Farm Credit interest rate yield curve, prepayment rates, contractual investment information and credit classification.

Bonds and notes: Systemwide debt securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between Systemwide debt securities and Treasury securities. We estimate an appropriate yield-spread taking into consideration selling group member (banks and securities dealers) yield indications, observed new Government-sponsored enterprise debt security pricing and pricing levels in the related U.S. dollar interest rate swap market.

Subordinated notes: The fair value of obligations held by us is based on an estimated fair value using credit spreads, market trends, interest rate risks and comparisons to similar institutions which we receive from an independent investment dealer.

Commitments to extend credit and letters of credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments based on rate of funding and credit loss factors.

Financial assets and liabilities measured at carrying amounts and not measured at fair value on the Combined Statements of Condition are summarized as follows:

(in thousands)	**As of March 31, 2013**					As of December 31, 2012				
	Total Carrying Amount	**Fair Value Measurement Using**			**Total Fair Value**	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	**Level 2**	**Level 3**			Level 1	Level 2	Level 3	
Assets:										
Cash	**$458,246**	**$458,246**	**$ --**	**$ --**	**$458,246**	$560,753	$560,753	$ --	$ --	$560,753
Investments held-to-maturity	**2,192,276**	**--**	**720,413**	**1,461,916**	**2,182,329**	2,275,266	--	974,295	1,290,725	2,265,020
Net loans	**75,121,725**	**--**	**--**	**76,375,858**	**76,375,858**	76,703,033	--	--	77,984,790	77,984,790
Other earning assets	**71,096**	**--**	**--**	**73,519**	**73,519**	144,199	--	--	147,519	147,519
Total assets	**$77,843,343**	**$458,246**	**$720,413**	**$77,911,293**	**$79,089,952**	$79,683,251	$560,753	$974,295	$79,423,034	$80,958,082
Liabilities:										
Bonds and notes	**$75,755,203**	**$ --**	**$ --**	**$76,103,975**	**$76,103,975**	$77,135,855	$ --	$ --	$77,635,287	$77,635,287
Subordinated notes	**600,000**	**--**	**--**	**773,267**	**773,267**	600,000	--	--	770,853	770,853
Total liabilities	**$76,355,203**	**$ --**	**$ --**	**$76,877,242**	**$76,877,242**	$77,735,855	$ --	$ --	$78,406,140	$78,406,140
Unrecognized financial instruments:										
Commitments to extend credit and letters of credit		**$ --**	**$ --**	**($26,289)**	**($26,289)**		$ --	$ --	($23,907)	($23,907)

NOTE 7

Derivative and Hedging Activity

Use of Derivatives

AgriBank maintains an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. AgriBank's goals are to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect the net interest margin. As a result of interest rate fluctuations, hedged fixed-rate liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by AgriBank's gains or losses on the derivative instruments that are linked to these hedged assets and liabilities. Another result of interest rate fluctuations is that the interest income and interest expense of hedged floating-rate liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by AgriBank's gains and losses on the derivative instruments that are linked to these hedged assets and liabilities.

AgriBank enters into derivative transactions, particularly interest rate swaps, to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities or better manage liquidity. AgriBank may also enter into derivatives with District Associations as a service to enable them to transfer, modify or reduce their exposure to retail interest rate risk. AgriBank manages this risk by concurrently entering into offsetting agreements with non-System institutional counterparties. Interest rate swaps allow AgriBank to raise long-term borrowings at fixed-rates and swap them into floating-rates that are lower than those available to AgriBank if floating-rate borrowings were made directly. Under interest rate swap arrangements, AgriBank agrees with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating-rate index. AgriBank may purchase interest rate options, such as caps, in order to offset the impact of rising interest rates on AgriBank's floating-rate debt, and floors, in order to offset the impact of falling interest rates on related floating-rate assets.

The primary types of derivative instruments used and the amount of activity during the period (in notional amounts) are summarized in the following table:

(in millions)	Receive-Fixed Swaps	Pay-Fixed and Amortizing Pay-Fixed Swaps	Floating-for-Floating and Amortizing Floating-for-Floating	Other Derivatives	Total
Balance at December 31, 2012	**$3,500**	**$1,076**	**$1,750**	**$100**	**$6,426**
Maturities/amortization	**(250)**	**(116)**	**(300)**	**--**	**(666)**
Balance at March 31, 2013	**$3,250**	**$960**	**$1,450**	**$100**	**$5,760**
Balance at December 31, 2011	$4,750	$972	$2,250	$200	$8,172
Maturities/amortization	--	(16)	(200)	(100)	(316)
Balance at March 31, 2012	$4,750	$956	$2,050	$100	$7,856

Other derivatives consist of forward starting swaps and swaptions.

By using derivative products, AgriBank exposes itself to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, AgriBank's credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes AgriBank, thus creating credit risk for AgriBank. When the fair value of the derivative contract is negative, AgriBank owes the counterparty and, therefore, AgriBank does not assume credit risk to that counterparty.

To minimize the risk of credit losses, AgriBank only deals with non-customer counterparties that have an investment grade or better credit rating from a rating agency and also monitors the credit standing and levels of exposure to individual counterparties. At March 31, 2013, AgriBank does not anticipate nonperformance by any of these counterparties. AgriBank typically enters into master agreements that contain netting provisions. These provisions allow AgriBank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. Substantially all derivative contracts are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of exposure of one party to the other are reached. These thresholds vary depending on the counterparty's current credit rating. At March 31, 2013, AgriBank's exposure to counterparties, net of collateral, was $43.9 million. At March 31, 2013, AgriBank held cash collateral of $21.7 million and securities of $16.0 million from counterparties.

AgriBank's derivative activities are monitored by its Asset-Liability Management Committee (ALCO) as part of the Committee's oversight of AgriBank's asset/liability and treasury functions. AgriBank's ALCO is responsible for approving hedging strategies that are developed within limits established by the Bank's Board of Directors through AgriBank's analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into AgriBank's overall interest rate risk-management strategies.

Accounting for Derivatives

Fair-Value Hedges: For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. AgriBank includes the gain or loss on the derivative in the same line item (interest expense) as the offsetting loss or gain on the related hedged item. Gains and losses on the derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in "Miscellaneous income and other (losses) gains, net" in the Combined Statements of Comprehensive Income.

Cash Flow Hedges: For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings (interest expense) in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in "Miscellaneous income and other (losses) gains, net" in the Combined Statements of Comprehensive Income.

Derivatives not Designated as Hedges: For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings in "Miscellaneous income and other (losses) gains, net" in the Combined Statements of Comprehensive Income.

Financial Statement Impact of Derivatives

The following table presents the gross fair value of derivative assets and derivative liabilities. The fair value of our derivative contracts are presented as "Derivative assets" and "Derivative liabilities" in the Combined Statements of Condition, and are presented net on the Combined Statements of Condition for counterparties with master netting agreements.

(in thousands)	March 31, 2013		December 31, 2012	
	Fair Value Assets:	**Fair Value Liabilities:**	Fair Value Assets:	Fair Value Liabilities:
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$128,060**	**$ --**	$149,085	$ --
Pay-fixed and amortizing pay-fixed swaps	**2,407**	**72,329**	1,055	87,378
Floating-for-floating and amortizing floating-for-floating swaps	**--**	**9,804**	--	11,347
Total derivatives designated as hedging instruments	**130,467**	**82,133**	150,140	98,725
Derivatives not designated as hedging instruments:				
Receive-fixed swaps	**--**	**85**	--	123
Total derivatives not designated as hedging instruments	**--**	**85**	--	123
Credit valuation adjustments	**(90)**	**--**	618	--
Total gross amounts of derivatives	**$130,377**	**$82,218**	$150,758	$98,848
Gross amounts offset in Combined Statements of Condition	**(70,195)**	**(70,195)**	(80,503)	(80,503)
Net amounts in Combined Statements of Condition	**$60,182**	**$12,023**	$70,255	$18,345
Gross amounts not offset in Combined Statements of Condition:				
Cash collateral pledged by counterparties	**(21,650)**	**--**	(22,320)	--
Securities posted as collateral from counterparties	**(15,963)**	**--**	(19,121)	--
Net exposure amounts	**$22,569**	**$12,023**	$28,814	$18,345

The fair value of derivatives includes credit valuation adjustments (CVA). The CVA reflects credit risk of each derivative counterparty to which AgriBank has exposure, net of any collateral posted by the counterparty, and an adjustment for AgriBank's credit worthiness where the counterparty has exposure to AgriBank. The favorable CVA in 2012 is due to AgriBank's counterparties' exposure to AgriBank. The change in the CVA for the period is included in "Miscellaneous income and other (losses) gains, net" on the Combined Statements of Comprehensive Income.

Fair-Value Hedges: AgriBank recorded $152 thousand of losses for the three months ended March 31, 2013 compared to $18 thousand of gains for the same period in 2012 related to receive-fixed swaps which are designated as hedging instruments on the Combined Statements of Comprehensive Income. The gains and losses on the derivative instruments are recognized in "Interest expense" on the Combined Statements of Comprehensive Income.

Cash Flow Hedges: The following table presents the amount of Other Comprehensive Income (OCI) recognized on derivatives. The gain (loss) on derivatives designated as hedges reclassified from accumulated other comprehensive income (AOCI) into income is included in "Interest expense" on the Combined Statements of Comprehensive Income.

(in thousands) **For the period ended March 31, 2013:** **Derivatives - Cash Flow Hedging Relationships**	**Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)**	**Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing**
Pay-fixed and amortizing pay-fixed swaps	**$16,357**	**$122**	**$5**
Floating-for-floating and amortizing floating-for-floating swaps	**1,581**	**--**	**--**
Other derivative products	**--**	**(74)**	**--**
Total	**$17,938**	**$48**	**$5**

(in thousands) For the period ended March 31, 2012: Derivatives - Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing
Pay-fixed and amortizing pay-fixed swaps	$24,854	$122	$5
Floating-for-floating and amortizing floating-for-floating swaps	(443)	--	--
Other derivative products	--	(170)	--
Total	$24,411	$(48)	$5

Derivatives not Designated as Hedges: AgriBank recorded $38 thousand of gains for the three months ended March 31, 2013 compared to $1.8 million of losses for the same period in 2012 related to receive-fixed swaps which are not designated as hedging instruments on the Combined Statements of Comprehensive Income. The gains and losses on the derivative instruments are recognized in "Miscellaneous income and other (losses) gains, net" on the Combined Statements of Comprehensive Income. The losses during the three months ended March 31, 2012 primarily represent swaps we purchased from another Farm Credit Bank in October 2008 that became ineffective in March 2012 requiring that the market value of the swaps be recognized on a mark-to-market basis. These losses were partially offset by gains recognized in "Interest expense" on the Combined Statements of Comprehensive Income representing the amortization of the fair value adjustment recorded on hedged debt for the period the hedge was deemed effective. With the discontinuance of hedge accounting the fair value adjustment is amortized to income over the remaining life of the hedged item using the effective interest method.

NOTE 8

Commitments and Contingencies

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

District entities may, from time to time, be named as defendants in certain lawsuits or legal actions in the normal course of business. At the date of these financial statements, management was not aware of any such actions that would have a material impact on the entities' financial condition. However, AgriBank and

affiliated Association management cannot ensure that such actions or other contingencies will not arise in the future.

While AgriBank is primarily liable for its portion of Systemwide bonds and notes, AgriBank is jointly and severally liable for the Systemwide bonds and notes of the other Farm Credit System Banks. The total bonds and notes of the System at March 31, 2013 were $199.0 billion.

NOTE 9

Accumulated Other Comprehensive Income (Loss)

Changes in components of accumulated other comprehensive income (loss):

(in thousands)	Not-other-than-temporarily-impaired Investments	Other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
Balance at December 31, 2011	$(9,389)	$(34,982)	$(103,653)	$(446,072)	$(594,096)
Other comprehensive income (loss) before reclassifications	(1,499)	5,621	24,411	--	28,533
Amounts reclassified from accumulated other comprehensive income (loss)	998	4,497	48	7,331	12,874
Net other comprehensive income (loss)	(501)	10,118	24,459	7,331	41,407
Balance at March 31, 2012	$(9,890)	$(24,864)	$(79,194)	$(438,741)	$(552,689)
Balance at December 31, 2012	**$14,046**	**$18,919**	**$(97,291)**	**$(518,998)**	**$(583,324)**
Other comprehensive income (loss) before reclassifications	**(20,568)**	**28,224**	**17,938**	**--**	**25,594**
Amounts reclassified from accumulated other comprehensive income (loss)	**--**	**443**	**(48)**	**10,348**	**10,743**
Net other comprehensive income (loss)	**(20,568)**	**28,667**	**17,890**	**10,348**	**36,337**
Balance at March 31, 2013	**$(6,522)**	**$47,586**	**$(79,401)**	**$(508,650)**	**$(546,987)**

Reclassifications out of accumulated other comprehensive income (loss):

(in thousands) Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected Line Item in the Statement of Comprehensive Income (Loss)
For the three months ended March 31,	**2013**	2012	
Not-other-than-temporarily-impaired investments:			
Impairment losses	**$ --**	$998	Net impairment losses recognized in earnings
Other-than-temporarily-impaired investments:			
Impairment losses	**443**	4,497	Net impairment losses recognized in earnings
Derivatives and hedging activity:			
Interest rate contracts	**(48)**	48	Interest expense
Employee benefit plans activity:			
Prior service cost	**(473)**	(457)	Salaries and employee benefits
Actuarial loss	**10,821**	7,788	
	10,348	7,331	
Total reclassifications	**$10,743**	$12,874	

NOTE 10

Subsequent Events

We have evaluated subsequent events through May 10, 2013, which is the date the financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Combined Financial Statements or disclosure in the Notes to those Combined Financial Statements.

NOTE 11

AgriBank Only Data

Statements of Condition (in thousands)	**March 31, 2013**	December 31, 2012
Loans, net	**$67,655,995**	$69,685,356
Other assets	**13,301,000**	12,613,847
Total assets	**$80,956,995**	$82,299,203
Liabilities	**$76,599,017**	$78,043,422
Members' equity	**4,357,978**	4,255,781
Total liabilities and members' equity	**$80,956,995**	$82,299,203

Statements of Income	**For the three months ended March 31,**	
(in thousands)	**2013**	2012
Interest income	**$333,571**	$359,047
Interest expense	**205,278**	250,018
Net interest income	**128,293**	109,029
Provision for loan losses	**500**	2,800
Other, net	**12,241**	8,543
Net income	**$140,034**	$114,772
Patronage	**$68,153**	$63,469

Substantially all patronage is paid to the affiliated Associations and is eliminated in combination.

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AgriBank, FCB and Affiliated Associations

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