LOUISIANA LAND BANK, ACA

2012
Quarterly Report
Third Quarter

For the Quarter Ended September 30, 2012

REPORT OF MANAGEMENT

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

Jesse A. Craft, Chief Executive Officer

November 8, 2012

R. Ernest Girouard, Jr., Chairman, Board of Directors

November 8, 2012

Christopher Bentley, Chief Financial Officer

November 8, 2012

LOUISIANA LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the association, for the quarter ended September 30, 2012. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2011 Annual Report to Stockholders.

The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the association's audit committee.

Significant Events:

The Association has a contractual relationship with the Bank from which the Association borrows to fund its loan portfolio. The indebtedness is governed by a general financing agreement (GFA) which contains certain covenants. As of September 30, 2012, the Association was in full compliance of all covenants included in the GFA.

The Association's total allowance for loan loss balance was $10,488,557 as of September 30, 2012. Of that balance, $4,705,759 or 44.9 percent relates to loans involving the third party originator, with collateral residing primarily in the states of Florida and Georgia.

The association has a significant variance in net income (loss) for the nine months ended September 30, 2012 and September 30, 2011. This variance is derived primarily from provision expense for loans. The association incurred $15,275,220 in provision expense for loans for the nine months ended September 30, 2011. This expense was the primary driver for the net loss of $12,515,213 for the same time period. For the nine months ended September 30, 2012, the association incurred $1,025,999 in provision expense for loans. The provision expense incurred in 2011 was recognition of adverse and deteriorating credits within the association's portfolio. From September 30, 2011 to September 30, 2012 the association has reduced non-accrual loans from $44,508,263 to $23,362,387 respectfully.

As of March 15, 2011, the Association entered into a written agreement (Agreement) with our regulator, the FCA. Per the Agreement, the Association is subject to various operational, financial, compliance and reporting requirements. The conditions which led to this Agreement were unsafe and unsound conditions, including excessive portfolio risk and asset quality weaknesses which stemmed from weaknesses in the credit underwriting function which became apparent with the downturn in the overall economy. The identification of these matters concluded that they result in violations of certain FCA regulations. The weaknesses as asserted by FCA are largely related to purchased loans and participations with the underlying collateral predominantly located in Florida. The board is committed to addressing these matters and instituted specific actions beginning in January 2010, including replacing certain members of management, strengthening controls over problem loan identification, and generally ensuring that all identified weaknesses are both in the process of remediation (if not already remediated) and otherwise accounted for via the allowance for loan losses. The board is also complying with the requirements of the March 15, 2011 Agreement with the FCA, which reiterated the FCA findings identified and communicated throughout 2010, and created new reporting requirements to the FCA. The board will continue to monitor the remediation of the underlying causes of the conditions which led to the need for the Agreement with the FCA.

The board elected to not pay a patronage to stockholders for 2011 due to the significant credit losses experienced by the Association.

Loan Portfolio:

Total loans outstanding at September 30, 2012, including nonaccrual loans and sales contracts, were $620,464,507 compared to $667,474,642 at December 31, 2011, reflecting a decrease of 7.0 percent. Nonaccrual loans as a percentage of total loans outstanding were 3.7 percent at September 30, 2012, compared to 5.6 percent at December 31, 2011.

The association recorded $206,901 in recoveries and $532,203 in charge-offs for the quarter ended September 30, 2012, and $43,573 in recoveries and $10,154,924 in charge-offs for the same period in 2011. The association's allowance for loan losses was 1.7 percent and 1.6 percent of total loans outstanding as of September 30, 2012, and December 31, 2011, respectively.

The Association's portfolio contains certain repayment concentrations when analyzing the composition of the portfolio by primary repayment sources. The Association has reliance on row crops (20.9 percent), timber (15.7 percent), professional – nonfarm (18.4 percent), and retail – nonfarm (15.9 percent) as primary repayment sources for almost 71 percent of the portfolio.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the association's components and trends of high-risk assets.

	September 30, 2012		December 31, 2011	
	Amount	**%**	Amount	%
Nonaccrual	**$ 23,136,304**	**71.5%**	$ 37,541,242	80.5%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%
Formally restructured	**3,147,663**	**9.7%**	2,451,657	5.3%
Other property owned, net	**6,073,681**	**18.8%**	6,635,494	14.2%
Total	**$ 32,357,648**	**100.0%**	$ 46,628,393	100.0%

Results of Operations:

The association had net income of $1,877,157 and $6,506,829 for the three and nine months ended September 30, 2012, as compared to net income of $-13,555,636 and $-12,515,213 for the same period in 2011. Net interest income was $4,301,510 and $13,165,691 for the three and nine months ended September 30, 2012, compared to $4,858,645 and $14,319,916 for the same period in 2011. Interest income for the three and nine months ended September 30, 2012, decreased by $1,758,860 and $4,528,863, or 20.6 and 17.5 percent, respectively, from the same period of 2011, primarily due to a decrease in average accrual loan volume. Interest expense for the three and nine months ended September 30, 2012, decreased by $1,201,725 and $3,374,638, or 32.5 and 29.2 percent, respectively, from the same period of 2011 due to a decrease in interest rates offset by a decrease in average debt volume. Average loan volume for the third quarter of 2012 was $614,739,134, compared to $724,816,799 in the third quarter of 2011. The average spread on the loan portfolio for the third quarter of 2012 was 2.49 percent, compared to 2.37 percent in the third quarter of 2011.

The association's return on average assets for the nine months ended September 30, 2012, was 1.32 percent compared to -1.25 percent for the same period in 2011. The association's return on average equity for the nine months ended September 30, 2012, was 7.54 percent, compared to -7.99 percent for the same period in 2011.

Liquidity and Funding Sources:

The association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the bank), which obtains its funds through the issuance of Systemwide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	September 30, 2012	December 31, 2011
Note payable to the bank	**$ 521,392,748**	$ 575,155,017
Accrued interest on note payable	**802,431**	1,115,129
Total	**$ 522,195,179**	$ 576,270,146

The Association has a contractual relationship with the Bank from which the Association borrows to fund its loan portfolio. The indebtedness is governed by a GFA which contains certain covenants. Beginning in the third quarter of 2009 and continuing through August 31, 2012, with the exception of the months of July and August 2010, the Association violated the earnings covenant as defined in the Agreement, which requires a rolling one-year average return on assets of 1.00 percent or greater. As of September 30, 2012, the Association is in full compliance of all covenants included in the GFA.

Capital Resources:

The association's capital position increased by $6,378,158 at September 30, 2012, compared to December 31, 2011. The association's debt as a percentage of members' equity was 4.46:1 as of September 30, 2012, compared to 5.20:1 as of December 31, 2011.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The association's permanent capital ratio at September 30, 2012, was 16.7 percent, which is in compliance with the FCA's minimum permanent capital standard. The association's core surplus ratio and total surplus ratio at September 30, 2012, were 16.2 and 16.2 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Balance Sheet – Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of offset associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. 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 will not impact financial condition or results of operations, but will result in additional disclosures.

In September 2011, the FASB issued guidance entitled "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan, which should help financial statement users better understand the financial health of significant plans in which the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012, for nonpublic entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the association's financial condition or results of operation.

In June and December 2011, the FASB issued guidance entitled "Comprehensive Income – Presentation of Comprehensive Income." This guidance is intended to increase the prominence of other comprehensive income in financial statements. The main provisions of the guidance provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. This guidance did not change the items that must be reported in other comprehensive income. With either approach, an entity is required to disclose reclassification adjustments for items reclassified from other comprehensive income to net income in the statement(s). The December 2011 guidance deferred the effective date for the presentation of reclassification adjustments.

This guidance is applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income.

In May 2011, the FASB issued guidance entitled "Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments clarify certain aspects of the fair value measurement and disclosure requirements. The amendments are to be applied prospectively and are effective during interim and annual periods beginning after December 31, 2011. The adoption of this guidance did not impact the financial condition or results of operations but resulted in additional disclosures.

In April 2011, the FASB issued its guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a troubled debt restructuring. In evaluating whether a restructuring is a troubled debt restructuring, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. The guidance is effective for nonpublic entities for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The adoption of this guidance was not material to the financial condition or results of operations.

Relationship with the Farm Credit Bank of Texas:

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the December 31, 2011 Annual Report of Louisiana Land Bank, ACA more fully describe the association's relationship with the bank.

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

The association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, Louisiana 71201 or calling 318-387-7535. Copies of the association's quarterly stockholder reports can also be requested by e-mailing *debbie.bond@louisianalandbank.com*.

LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash	**$ 202,003**	$ 124,536
Loans	**620,464,507**	667,474,642
Less: allowance for loan losses	**10,488,557**	10,347,913
Net loans	**609,975,950**	657,126,729
Accrued interest receivable	**8,573,814**	7,302,839
Investment in and receivable from the bank:		
Capital stock	**12,956,350**	12,956,350
Other	**1,692,886**	3,455,325
Deferred taxes, net	**16,661**	16,661
Other property owned, net	**6,073,681**	6,635,494
Premises and equipment	**3,191,867**	3,020,450
Other assets	**463,358**	351,364
Total assets	**$ 643,146,570**	$ 690,989,748
LIABILITIES		
Note payable to the bank	**$ 521,392,748**	$ 575,155,017
Accrued interest payable	**802,431**	1,115,129
Drafts outstanding	**87,245**	70,417
Dividends payable	**32**	32
Other liabilities	**3,009,798**	3,172,995
Total liabilities	**525,292,254**	579,513,590
MEMBERS' EQUITY		
Capital stock and participation certificates	**2,907,985**	3,025,360
Unallocated retained earnings	**115,359,520**	108,852,692
Accumulated other comprehensive income (loss)	**(413,189)**	(401,894)
Total members' equity	**117,854,316**	111,476,158
Total liabilities and members' equity	**$ 643,146,570**	$ 690,989,748

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
INTEREST INCOME				
Loans	**$ 6,799,105**	$ 8,557,965	**$ 21,359,148**	$ 25,888,011
Total interest income	**6,799,105**	8,557,965	**21,359,148**	25,888,011
INTEREST EXPENSE				
Note payable to the bank	**2,497,595**	3,699,320	**8,193,457**	11,568,095
Total interest expense	**2,497,595**	3,699,320	**8,193,457**	11,568,095
Net interest income	**4,301,510**	4,858,645	**13,165,691**	14,319,916
PROVISION FOR LOAN LOSSES	**603,549**	10,655,700	1,025,999	15,275,220
Net interest income after provision for loan losses	**3,697,961**	(5,797,055)	**12,139,692**	(955,304)
NONINTEREST INCOME				
Income from the bank:				
Patronage income	**552,369**	512,014	**1,579,979**	1,538,183
Loan fees	**136,946**	216,404	**330,658**	347,907
Financially related services income	**721**	834	**2,593**	3,218
Gain (loss) on other property owned, net	**855,092**	(614,115)	**788,311**	(844,175)
Gain (loss) on sale of premises and equipment, net	**76,000**	(3,452)	**133,092**	80,859
Other noninterest income	**1,000**	7,000	**784,336**	88,684
Total noninterest income	**1,622,128**	**118,685**	**3,618,969**	**1,214,676**
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,336,751**	1,713,534	**4,221,125**	4,486,141
Directors' expense	**72,808**	64,146	**217,511**	214,852
Purchased services	**249,519**	183,315	**641,649**	781,087
Travel	**168,545**	120,569	**445,791**	360,804
Occupancy and equipment	**147,238**	117,742	**391,343**	339,310
Communications	**38,604**	33,553	**124,664**	114,120
Advertising	**88,128**	45,264	**249,702**	207,749
Public and member relations	**64,637**	54,483	**185,882**	154,970
Supervisory and exam expense	**135,024**	107,205	**389,806**	232,867
Insurance Fund premiums	**65,827**	104,588	**211,120**	329,614
Other noninterest expense	**1,075,850**	231,171	**2,154,999**	5,550,358
Total noninterest expenses	**3,442,931**	2,775,570	**9,233,592**	12,771,872
Income before income taxes	**1,877,158**	(8,453,940)	**6,525,069**	(12,512,500)
Provision for (benefit from) income taxes	**-**	2,713	**18,241**	2,713
NET INCOME	**1,877,158**	(8,456,653)	**6,506,828**	**(12,515,213)**
COMPREHENSIVE INCOME	**$ 1,877,158**	$ (8,456,653)	**$ 6,506,828**	**$ (12,515,213)**

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2010	$ 3,111,285	$ 118,084,618	$ (44,159)	$ 121,151,744
Net income	-	(12,515,213)	-	(12,515,213)
Other comprehensive income	-	-	(32,888)	(32,888)
Capital stock/participation certificates and allocated retained earnings issued	281,380	-	-	281,380
Capital stock/participation certificates and allocated retained earnings retired	(331,040)	-	-	(331,040)
Balance at September 30, 2011	$ 3,061,625	$ 105,569,405	$ (77,047)	$ 108,553,983
Balance at December 31, 2011	$ 3,025,360	$ 108,852,692	$ (401,894)	$ 111,476,158
Net income	-	6,506,828	-	6,506,828
Other comprehensive income	-	-	(11,295)	(11,295)
Capital stock/participation certificates and allocated retained earnings issued	282,660	-	-	282,660
Capital stock/participation certificates and allocated retained earnings retired	(400,035)	-	-	(400,035)
Balance at September 30, 2012	**$ 2,907,985**	**$ 115,359,520**	**$ (413,189)**	**$ 117,854,316**

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

LOUISIANA LAND BANK, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The association serves the parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana, and Winn in the state of Louisiana. The association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The significant accounting policies followed and the financial condition and results of operations of the association as of and for the year ended December 31, 2011, are contained in the 2011 Annual Report to Stockholders. These unaudited third quarter 2012 financial statements should be read in conjunction with the 2011 Annual Report to Stockholders.

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled “Balance Sheet – Disclosures about Offsetting Assets and Liabilities.” The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of offset associated with an entity’s recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. 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 will not impact financial condition or results of operations, but will result in additional disclosures.

In September 2011, the FASB issued guidance entitled “Compensation – Retirement Benefits – Multiemployer Plans.” The guidance is intended to provide more information about an employer’s financial obligations to a multiemployer pension plan, which should help financial statement users better understand the financial health of significant plans in which the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012, for nonpublic entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the association’s financial condition or results of operation.

In June and December 2011, the FASB issued guidance entitled “Comprehensive Income – Presentation of Comprehensive Income.” This guidance is intended to increase the prominence of other comprehensive income in financial statements. The main provisions of the guidance provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. This guidance did not change the items that must be reported in other comprehensive income. With either approach, an entity is required to disclose reclassification adjustments for items reclassified from other comprehensive income to net income in the statement(s). The December 2011 guidance deferred the effective date for the presentation of reclassification adjustments.

This guidance is applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income.

In May 2011, the FASB issued guidance entitled "Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments clarify certain aspects of the fair value measurement and disclosure requirements. The amendments are to be applied prospectively and are effective during interim and annual periods beginning after December 31, 2011. The adoption of this guidance did not impact the financial condition or results of operations but resulted in additional disclosures.

In April 2011, the FASB issued its guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a troubled debt restructuring. In evaluating whether a restructuring is a troubled debt restructuring, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. The guidance is effective for nonpublic entities for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The adoption of this guidance was not material to the financial condition or results of operations.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles, except for the inclusion of a statement of cash flows. Generally accepted accounting principles require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended September 30, 2012, are not necessarily indicative of the results to be expected for the year ended December 31, 2012. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**September 30, 2012 Amount**	December 31, 2011 Amount
Production agriculture:		
Real estate mortgage	**$ 529,443,695**	$ 576,435,004
Production and intermediate term	**30,421,799**	17,070,866
Agribusiness:		
Loans to cooperatives	**4,505,368**	1,458,572
Processing and marketing	**11,009,328**	17,738,907
Farm-related business	**20,953,808**	29,464,286
Communication	**8,117,048**	3,473,526
Energy	**2,831,382**	2,875,372
Rural residential real estate	**13,072,588**	12,360,578
Lease receivables	**109,491**	6,597,531
Total	**$ 620,464,507**	$ 667,474,642

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2012:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 6,755,341	$ 21,884,737	$ 7,790,812	$ -	$ 14,546,153	$ 21,884,737
Production and intermediate term	9,210,816	9,208,129	5,714,286	2,379,523	14,925,102	11,587,652
Agribusiness	6,049,780	-	20,183,676	-	26,233,456	-
Communication	8,117,048	-	-	-	8,117,048	-
Energy	2,831,382	-	-	-	2,831,382	-
Total	$ 32,964,367	$ 31,092,866	$ 33,688,774	$ 2,379,523	$ 66,653,141	$ 33,472,389

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

	September 30, 2012	December 31, 2011
Nonaccrual loans:		
Real estate mortgage	**$ 10,239,852**	$ 21,395,866
Agribusiness	**12,195,536**	15,844,733
Communication	**668,538**	263,376
Rural residential real estate	**32,378**	37,267
Total nonaccrual loans	**23,136,304**	37,541,242
Accruing restructured loans:		
Real estate mortgage	**2,849,678**	2,153,511
Agribusiness	**297,985**	298,146
Total accruing restructured loans	**3,147,663**	2,451,657
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more	**-**	-
Total nonperforming loans	**26,283,967**	39,992,899
Other property owned	**6,073,681**	6,635,494
Total nonperforming assets	**$ 32,357,648**	$ 46,628,393

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

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

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2012		December 31, 2011	
Real estate mortgage				
Acceptable	**95.2**	%	93.2	%
OAEM	**1.7**		1.9	
Substandard/doubtful	**3.2**		4.9	
	100.1		100.0	
Production and intermediate term				
Acceptable	**100.0**		100.0	
	100.0		100.0	
Agribusiness				
Acceptable	**38.0**		38.7	
OAEM	**11.9**		10.2	
Substandard/doubtful	**50.1**		51.1	
	100.0		100.0	
Energy and water/waste water				
Acceptable	**46.6**		85.0	
OAEM	**38.9**		-	
Substandard/doubtful	**14.5**		15.0	
	100.0		100.0	
Communication				
Acceptable	**91.8**		92.4	
Substandard/doubtful	**8.2**		7.6	
	100.0		100.0	
Rural residential real estate				
Acceptable	**96.4**		94.2	
OAEM	**3.3**		5.4	
Substandard/doubtful	**0.3**		0.4	
	100.0		100.0	
Lease receivables				
Acceptable	**100.0**		100.0	
	100.0		100.0	
Total loans				
Acceptable	**91.8**		89.5	
OAEM	**2.4**		2.5	
Substandard/doubtful	**5.8**		8.0	
	100.0	%	100.0	%

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

September 30, 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**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,503,520**	**$ 8,378,534**	**$ 9,882,054**	**$ 527,775,345**	**$ 537,657,399**	**$ -**
Production and intermediate term	**247,230**	**-**	**247,230**	**30,301,709**	**30,548,939**	**-**
Loans to cooperatives	**-**	**-**	**-**	**4,526,952**	**4,526,952**	**-**
Processing and marketing	**-**	**-**	**-**	**11,043,678**	**11,043,678**	**-**
Farm-related business	**-**	**3,909,966**	**3,909,966**	**17,105,620**	**21,015,586**	**-**
Communication	**-**	**-**	**-**	**8,118,618**	**8,118,618**	**-**
Energy	**-**	**-**	**-**	**2,833,813**	**2,833,813**	**-**
Rural residential real estate	**-**	**-**	**-**	**13,180,371**	**13,180,371**	**-**
Lease receivables	**-**	**-**	**-**	**112,965**	**112,965**	**-**
Total	**$ 1,750,750**	**$ 12,288,500**	**$ 14,039,250**	**$ 614,999,071**	**$ 629,038,321**	**$ -**

December 31, 2011	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	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 3,648,627	$ 19,594,577	$ 23,243,204	$ 560,107,860	$ 583,351,064	$ -
Production and intermediate term	-	-	-	17,152,247	17,152,247	-
Loans to cooperatives	-	-	-	1,462,885	1,462,885	-
Processing and marketing	-	-	-	17,797,798	17,797,798	-
Farm-related business	-	6,742,978	6,742,978	22,866,377	29,609,355	-
Communication	-	-	-	3,475,349	3,475,349	-
Energy	-	-	-	2,875,867	2,875,867	-
Rural residential real estate	-	-	-	12,430,930	12,430,930	-
Lease receivables	-	-	-	6,621,986	6,621,986	-
Total	$ 3,648,627	$ 26,337,555	$ 29,986,182	$ 644,791,299	$ 674,777,481	$ -

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs and may also reflect a previous direct write-down of the investment.

A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of September 30, 2012, the total recorded investment of troubled debt restructured loans was $3,147,663, including $0 classified as nonaccrual and $3,147,663 classified as accrual, with specific allowance for loan losses of $82,607. As of September 30, 2012, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $0.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the three and nine months ended September 30, 2012. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred. Loans formally restructured prior to January 1, 2012, were $2,482,895.

For the Three Months Ended September 30, 2012	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Total	$ -	$ -

For the Nine Months Ended September 30, 2012	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 381,960	$ 361,341
Total	$ 381,960	$ 361,341

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). Charge-offs recorded at the modification date were $0 for the quarter ending September 30, 2012.

The predominant form of concession granted for troubled debt restructuring includes rate reduction and term extension. Other types of modifications include extension of the term, principal or accrued interest reductions, interest rate decreases, delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case we assess all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

The following table presents information regarding loans that met the accounting criteria as a troubled debt restructuring and that occurred from October 1, 2011, through September 30, 2012, and for which there was a payment default during that same period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Troubled debt restructurings that subsequently defaulted:	Recorded Investment
Total	$ -

Additional impaired loan information is as follows:

	September 30, 2012			At December 31, 2011		
	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	$ 2,536,413	$ 3,575,372	$ 1,086,486	$ 2,622,956	$ 3,673,805	$ 859,981
Production and intermediate term	-	-	-	-		-
Loans to cooperatives	-	-	-	-		-
Processing and marketing	-	-	-	523,508	523,509	150,796
Farm-related business	11,922,787	12,139,454	3,153,320	8,486,081	8,702,747	4,196,545
Communication	244,683	244,683	236,000	263,376	263,376	236,000
Energy and water/waste water	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-
Agricultural export finance	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-
Total	$ 14,703,883	$ 15,959,509	$ 4,475,806	$ 11,895,921	$ 13,163,437	$ 5,443,322
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 10,513,809	$ 10,708,737	$ -	$ 20,926,421	$ 32,084,642	$ -
Production and intermediate term	-	-	-	-	-	-
Loans to cooperatives	-	-	-	-	-	-
Processing and marketing	297,885	351,475	-	377,216	445,054	-
Farm-related business	272,748	285,844	-	6,756,074	9,302,049	-
Communication	423,855	423,855	-	-	-	-
Energy and water/waste water	-	-	-	-	-	-
Rural residential real estate	32,379	32,378	-	37,267	37,795	-
Agricultural export finance	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-
Total	$ 11,540,676	$ 11,802,289	$ -	$ 28,096,978	$ 41,869,540	$ -
Total impaired loans:						
Real estate mortgage	$ 13,050,222	$ 14,284,109	$ 1,086,486	$ 23,549,377	$ 35,758,447	$ 859,981
Production and intermediate term	-	-	-	-	-	-
Loans to cooperatives	-	-	-	-	-	-
Processing and marketing	297,885	351,475	-	900,724	968,563	150,796
Farm-related business	12,195,535	12,425,298	3,153,320	15,242,155	18,004,796	4,196,545
Communication	668,538	668,538	236,000	263,376	263,376	236,000
Energy and water/waste water	-	-	-	-	-	-
Rural residential real estate	32,379	32,378	-	37,267	37,795	-
Agricultural export finance	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-
	$ 26,244,559	$ 27,761,798	$ 4,475,806	$ 39,992,899	$ 55,032,977	$ 5,443,322

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

	For the Three Months Ended							
	September 30, 2012				September 30, 2011			
	Average Impaired Loans		**Interest Income Recognized**		Average Impaired Loans		Interest Income Recognized	
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$**	**2,537,167**	**$**	**3,781**	$	17,191,346	$	-
Production and intermediate term		**-**		**-**		-		-
Loans to cooperatives		**-**		**-**		-		-
Processing and marketing		**-**		**-**		544,994		-
Farm-related business		**11,923,082**		**-**		5,395,556		-
Communication		**257,356**		**-**		345,259		-
Energy and water/waste water		**-**		**-**		-		-
Rural residential real estate		**-**		**-**		-		-
Agricultural export finance		**-**		**-**		-		-
Lease receivables		**-**		**-**		-		-
Mission-related investments		**-**		**-**		-		-
Total	**$**	**14,717,605**	**$**	**3,781**	$	23,477,155	$	-
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$**	**10,471,042**	**$**	**34,730**	$	14,721,977	$	17,884
Production and intermediate term		**-**		**-**		-		-
Loans to cooperatives		**-**		**-**		-		-
Processing and marketing		**298,547**		**3,127**		392,382		-
Farm-related business		**272,748**		**-**		12,434,393		2,383
Communication		**70,643**		**53**		-		-
Energy and water/waste water		**-**		**-**		-		-
Rural residential real estate		**32,683**		**-**		37,912		-
Agricultural export finance		**-**		**-**		-		-
Lease receivables		**-**		**-**		-		-
Mission-related investments		**-**		**-**		-		-
Total	**$**	**11,145,663**	**$**	**37,910**	$	27,586,664	$	20,267
Total impaired loans:								
Real estate mortgage	**$**	**13,008,209**	**$**	**38,511**	$	31,913,323	$	17,884
Production and intermediate term		**-**		**-**		-		-
Loans to cooperatives		**-**		**-**		-		-
Processing and marketing		**298,547**		**3,127**	$	937,376		-
Farm-related business		**12,195,830**		**-**	$	17,829,949	$	2,383
Communication		**327,999**		**53**	$	345,259		-
Energy and water/waste water		**-**		**-**		-		-
Rural residential real estate		**32,683**		**-**	$	37,912		-
Agricultural export finance		**-**		**-**		-		-
Lease receivables		**-**		**-**		-		-
Mission-related investments		**-**		**-**		-		-
	$	**25,863,268**	**$**	**41,691**	$	51,063,819	$	20,267

	For the Nine Months Ended							
	September 30, 2012				September 30, 2011			
	Average Impaired Loans		**Interest Income Recognized**		Average Impaired Loans		Interest Income Recognized	
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$**	**2,539,790**	**$**	**11,369**	$	14,246,177	$	30,569
Processing and marketing		**-**		**-**		472,141		-
Farm-related business		**11,987,782**		**-**		5,395,556		(1,277)
Communication		**260,080**		**-**		353,766		-
Total	**$**	**14,787,652**	**$**	**11,369**	$	20,467,640	$	29,292
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$**	**10,394,968**	**$**	**98,953**	$	14,338,040	$	55,905
Processing and marketing		**299,277**		**7,770**		385,871		-
Farm-related business		**276,907**		**-**		13,285,018		4,494
Communication		**70,642**		**(791)**		-		-
Rural residential real estate		**34,444**		**-**		39,849		-
Total	**$**	**11,076,238**	**$**	**105,932**	$	28,048,778	$	60,399
Total impaired loans:								
Real estate mortgage	$	12,934,758	$	110,322	$	28,584,217	$	86,474
Processing and marketing		299,277		7,770		858,012		-
Farm-related business		12,264,689		-		18,680,574		3,217
Communication		330,722		(791)		353,766		-
Rural residential real estate		34,444		-		39,849		-
	$	**25,863,890**	**$**	**117,301**	$	48,516,418	$	89,691

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:								
Balance at June 30, 2012	$ 4,244,502	$ 217,404	$ 5,346,210	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 10,210,310
Charge-offs	-	(532,203)	-	-	-	-	-	(532,203)
Recoveries	201,392	5,509	-	-	-	-	-	206,901
Provision for loan losses	-	505,589	97,960	-	-	-	-	603,549
Adjustment due to merger	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Balance at September 30, 2012	$ 4,445,894	$ 196,299	$ 5,444,170	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 10,488,557
Balance at December 31, 2011	$ 4,284,145	$ 217,404	$ 5,444,170	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 10,347,913
Charge-offs	(322,639)	(1,048,518)	-	-	-	-	-	(1,371,157)
Recoveries	484,388	14,510	-	-	-	-	-	498,898
Provision for loan losses	-	1,012,903	-	-	-	-	-	1,012,903
Adjustment due to merger	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Balance at September 30, 2012	$ 4,445,894	$ 196,299	$ 5,444,170	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 10,488,557
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ 5,310,011	$ 329,846	$ -	$ -	$ -	$ 5,639,857
Collectively evaluated for impairment	4,445,894	196,299	134,159	(38,144)	49,830	39,550	21,112	4,848,700
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Balance at September 30, 2012	$ 4,445,894	$ 196,299	$ 5,444,170	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 10,488,557
Balance at June 30, 2011	$ 8,747,717	$ 2,257	$ 4,966,727	$ 237,922	$ 1,171	$ 4,399	$ 247	$ 13,960,440
Charge-offs	(1,344,661)	-	(8,810,263)	-	-	-	-	(10,154,924)
Recoveries	138,702	-	(95,129)	-	-	-	-	43,573
Provision for loan losses	643,215	80,837	9,780,173	49,293	49,317	32,572	20,293	10,655,700
Adjustment due to merger	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
September 30, 2011	$ 8,184,973	$ 83,094	$ 5,841,508	$ 287,215	$ 50,488	$ 36,971	$ 20,540	$ 14,504,789
Balance at December 31, 2010	$ 12,819,485	$ 2,257	$ 10,416,235	$ 237,922	$ 1,171	$ 4,399	$ 247	$ 23,481,716
Charge-offs	(10,049,146)	-	(14,411,670)	-	-	-	-	(24,460,816)
Recoveries	151,899	-	56,770	-	-	-	-	208,669
Provision for loan losses	5,262,735	80,837	9,780,173	49,293	49,317	32,572	20,293	15,275,220
Adjustment due to merger	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
September 30, 2011	$ 8,184,973	$ 83,094	$ 5,841,508	$ 287,215	$ 50,488	$ 36,971	$ 20,540	$ 14,504,789
Ending Balance:								
Individually evaluated for impairment	$ 5,268,212	$ -	$ 4,038,315	$ 236,000	$ -	$ -	$ -	$ 9,542,527
Collectively evaluated for impairment	2,916,761	83,094	1,803,193	51,215	50,488	36,971	20,540	4,962,262
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
September 30, 2011	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at September 30, 2012	$ 537,657,399	$ 30,548,939	$ 36,586,217	$ 8,118,618	$ 2,833,813	$ 13,180,370	$ 112,965	$ 629,038,321
Individually evaluated for impairment	$ 23,198,488	$ 297,885	$ 1,031,381	$ 668,538	$ 1,015,889	$ 32,378	$ -	$ 26,244,559
Collectively evaluated for impairment	$ 514,458,910	$ 30,251,054	$ 35,554,836	$ 7,450,080	$ 1,817,924	$ 13,147,992	$ 112,965	$ 602,793,761
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance at December 31, 2011	$ 583,022,898 #	$ 17,152,247	$ 48,870,038	$ 3,475,349	$ 2,875,867	$ 12,430,930	$ 6,621,986	$ 674,449,315
Individually evaluated for impairment	$ 23,549,378	$ -	$ 16,142,878	$ 263,376	$ -	$ 37,267	$ -	$ 39,992,899
Collectively evaluated for impairment	$ 559,473,520	$ 17,152,247	$ 32,727,160	$ 3,211,973	$ 2,875,867	$ 12,393,663	$ 6,621,986	$ 634,456,416
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 3 — CAPITAL:

The association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the association's goals and objectives with the board.

NOTE 4 — INCOME TAXES:

Louisiana Land Bank, ACA and its subsidiary are subject to federal and certain other income taxes. The associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During the nine months ended September 30, 2012, the association did not participate in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. For the nine months ended September 30, 2012, and 2011, net income for tax purposes was $6,506,828 and -$12,515,213.

The subsidiary, LOUISIANA FLBA, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 to the 2011 Annual Report to Stockholders for a more complete description.

There were no assets and liabilities measured at fair value on a recurring basis at September 30, 2012 or December 31, 2011.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

September 30, 2012	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$ 20,588,620**	**$ 20,588,620**
Other property owned	**-**	**-**	**6,073,681**	**6,073,681**

December 31, 2011	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 38,066,882	$ 38,066,882
Other property owned	-	-	6,635,494	6,635,494

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 2 to the 2011 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2011 Annual Report to Stockholders.

Loans

For certain loans evaluated for impairment under authoritative guidance, the fair value is based upon the underlying collateral since the loans were collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral value, which is generally determined using appraisals or other indications based on comparable sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended September 30:

	Other Benefits	
	2012	2011
Service cost	**$ 16,406**	$ 15,089
Interest cost	**29,762**	27,350
Amortization of prior service (credits) costs	**(14,444)**	(16,594)
Amortizations of net actuarial (gain) loss	**10,678**	5,631
Net periodic benefit cost	**$ 42,402**	$ 31,476

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the nine months ended September 30:

	Other Benefits	
	2012	2011
Service cost	**$ 49,217**	$ 45,266
Interest cost	**89,285**	82,049
Amortization of prior service (credits) costs	**(43,331)**	(49,781)
Amortizations of net actuarial (gain) loss	**32,035**	16,893
Net periodic benefit cost	**$ 127,205**	$ 94,427

The association's liability for the plan's unfunded accumulated obligation at September 30, 2012, was $2,448,739 and is included in "Other Liabilities" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. As of September 30, 2012, $378,932 of contributions have been made. The association presently anticipates contributing an additional $126,311 to fund the defined benefit pension plan in 2012 for a total of $505,244

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) for the nine months ended September 30:

	2012	2011
Accumulated other comprehensive income (loss) at January 1	**$ (401,894)**	$ (44,159)
Amortization of prior service credit (costs) included in net periodic postretirement benefit cost	**(43,330)**	(49,781)
Amortization of actuarial gain (loss) included in net periodic postretirement benefit cost	**32,035**	16,893
Income tax expense related to items of other comprehensive income	**-**	-
Other comprehensive income (loss), net of tax	**(11,295)**	(32,888)
Accumulated other comprehensive income at September 30	**$ (413,189)**	$ (77,047)

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through November 8, 2012, which is the date the financial statements were issued. There are no subsequent events to report.