Farm Credit Services of Mid-America, ACA

Quarterly Report
March 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of Mid-America, ACA and its subsidiaries. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our 2011 Annual Report for the year ended December 31, 2011.

AgriBank, FCB's (AgriBank) financial condition and results of operations materially affect members' investment in Farm Credit Services of Mid-America, ACA. To request free copies of the AgriBank and combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact:

Farm Credit Services of Mid-America, ACA
P.O. Box 34390
Louisville, KY 40232
(800) 444-FARM
efcsales@e-farmcredit.com
www.e-farmcredit.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
agribankmn@agribank.com
www.agribank.com

Loan Portfolio

Loans totaled $15.0 billion at March 31, 2012, a $12.7 million increase from December 31, 2011. This increase was due to growth of the real estate mortgage portfolio.

Agricultural and Economic Conditions

Agricultural conditions in our territory continued to be generally positive during the first quarter. There is some concern that continued high grain prices could have a negative impact on livestock, dairy, and poultry producers. The slow growth of the general economy and high unemployment continues to be a significant concern, since a high percentage of our customers rely on off farm employment to supplement farm earnings for debt service and family living. The forecast is for continued slow growth and higher than normal unemployment.

Portfolio Credit Quality

The credit quality of our portfolio has remained stable from December 31, 2011. Adversely classified loans have decreased slightly to 3.8% of the portfolio at March 31, 2012, from 3.9% of the portfolio at December 31, 2011. Adversely classified loans are loans we have identified as showing some credit weakness that have or may affect the borrower's ability to continue making loan payments. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

The following table summarizes risk assets including accrued interest receivable and delinquency information (dollars in thousands):

As of:	**March 31 2012**	December 31 2011
Loans:		
Accruing restructured	**$10,048**	$10,222
Accruing loans 90 days or more past due	**1,300**	714
Non-accrual	**280,379**	286,486
Total risk loans	**291,727**	297,422
Other property owned	**28,210**	30,309
Total risk assets	**$319,937**	$327,731
Non-accrual loans as a percentage of total loans	**1.9%**	1.9%
Risk loans as a percentage of total loans	**1.9%**	2.0%
Total delinquencies as a percentage of total loans	**1.3%**	1.4%

Our risk assets have decreased from December 31, 2011 and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Based on our analysis, all loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

Non-accrual volume decreased due to collection of loans and also an improving credit situation. Non-accrual loans remained at an acceptable level at March 31, 2012 and represented 1.9% of our total portfolio. At March 31, 2012, 52.5% of our non-accrual loans were current.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, probability of default, estimated severity of loss given default, portfolio quality, and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

Allowance as a percentage of:	**March 31 2012**	December 31 2011
Loans	**0.4%**	0.5%
Non-accrual loans	**24.0%**	28.2%
Total risk loans	**23.0%**	27.1%

During the three months ended March 31, 2012 we recorded a reversal of provision for loan losses of $9.2 million. This reversal was primarily related to additional consideration of customer level collateral reducing loss given default expectations. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2012.

Results of Operations

Net income for the three months ended March 31, 2012 totaled $72.9 million compared to $48.7 million for the same period in 2011. The following table illustrates profitability information:

As of March 31	**2012**	2011
Return on average assets	**1.7%**	1.2%
Return on average members' equity	**10.6%**	7.9%

The following table summarizes the changes in components of net income for the three months ended March 31, 2012 compared to the same period in 2011 (in thousands):

Increase (decrease) in net income	**2012 vs 2011**
Net interest income[(a)]	**$6,280**
Provision for loan losses[(b)]	**25,196**
Patronage income[(c)]	**370**
Other income	**173**
Operating expenses[(d)]	**(2,640)**
Provision for income taxes[(e)]	**(5,133)**
Total change in net income	**$24,246**

[(a)]Net interest income was $84.5 million for the three months ended March 31, 2012. The following table quantifies changes in net interest income for the three months ended March 31, 2012 compared to the same period in 2011 (in thousands):

Change in net interest income	**2012 vs 2011**
Changes in volume	**$5,804**
Changes in rates	**(1,134)**
Changes in non-accrual income and other	**1,610**
Net change	**$6,280**

[(b)]The change in the provision for loan losses was primarily related to additional consideration of customer level collateral reducing loss given default expectations.

[(c)]The change in patronage income was primarily related to increased patronage received from AgriBank due to a higher patronage rate during the three months ended March 31, 2012 compared to the same period last year.

[(d)]The change in operating expenses was primarily related to increased staffing during the three months ended March 31, 2012 compared to the same period last year.

[(e)]The change in provision for income taxes was primarily related to increased income in our taxable entity as a result of the reversal of provision for loan losses during the three months ended March 31, 2012 compared to the same period last year.

Changes in our return on average assets and return on average members' equity are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section, and changes in capital discussed in the Funding, Liquidity, and Capital section.

Funding, Liquidity, and Capital

We borrow from AgriBank in the form of a line of credit. Our promissory note matured on April 30, 2012 and was renewed for $16.7 billion with a maturity date of April 30, 2013. The note will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Total members' equity increased $73.4 million from December 31, 2011 primarily due to net income for the period and an increase in capital stock and participation certificates.

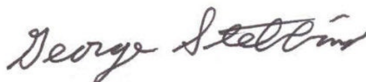
Farm Credit Administration regulations require us to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7%, and a core surplus ratio of at least 3.5%. Refer to Note 8 in our 2011 Annual Report for a more complete description of these ratios. As of March 31, 2012, the ratios were as follows:

- The permanent capital ratio was 15.1%.
- The total surplus ratio was 14.6%.
- The core surplus ratio was 14.6%.

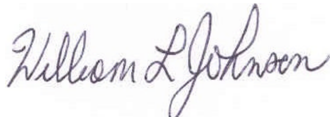
The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

Certification

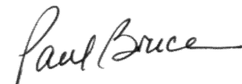
The undersigned certify they have reviewed Farm Credit Services of Mid-America, ACA's March 31, 2012, Quarterly Report. It has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.



George Stebbins
Chair of the Board
Farm Credit Services of Mid-America, ACA



William L. Johnson
Chief Executive Officer
Farm Credit Services of Mid-America, ACA



Paul Bruce
Chief Financial Officer
Farm Credit Services of Mid-America, ACA

May 10, 2012

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Mid-America, ACA
(Dollars in thousands)
(Unaudited)

	March 31 2012	December 31 2011
ASSETS		
Loans	**$15,023,336**	$15,010,650
Allowance for loan losses	**67,232**	80,734
Net loans	**14,956,104**	14,929,916
Investment in AgriBank, FCB	**423,534**	422,124
Investment securities	**1,507,661**	1,410,903
Accrued interest receivable	**116,431**	128,900
Premises and equipment, net	**32,579**	32,851
Other earning assets	**138,672**	210,945
Other property owned	**28,210**	30,309
Assets held for lease, net	**286,033**	281,646
Other assets	**26,265**	57,678
Total assets	**$17,515,489**	$17,505,272
LIABILITIES		
Note payable to AgriBank, FCB	**$14,526,782**	$14,578,386
Accrued interest payable	**88,265**	92,107
Net deferred income tax liability	**85,662**	82,361
Other liabilities	**28,589**	39,653
Total liabilities	**14,729,298**	14,792,507
Contingencies and commitments	**--**	--
MEMBERS' EQUITY		
Capital stock and participation certificates	**82,487**	82,000
Unallocated surplus	**2,703,704**	2,630,765
Total members' equity	**2,786,191**	2,712,765
Total liabilities and members' equity	**$17,515,489**	$17,505,272

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Services of Mid-America, ACA
(Dollars in thousands)
(Unaudited)

Three months ended March 31	**2012**	2011
Interest income	**$172,742**	$173,769
Interest expense	**88,273**	95,580
Net interest income	**84,469**	78,189
(Reversal of) provision for loan losses	**(9,204)**	15,992
Net interest income after (reversal of) provision for loan losses	**93,673**	62,197
Other income		
Patronage income	**12,788**	12,418
Financially related services income	**82**	258
Fee income	**3,957**	2,131
Operating lease income	**2,776**	3,108
Other property owned losses, net	**(1,606)**	(367)
Miscellaneous income, net	**538**	444
Total other income	**18,535**	17,992
Operating expenses		
Salaries and employee benefits	**20,354**	17,958
Other operating	**10,798**	10,554
Total operating expenses	**31,152**	28,512
Income before income taxes	**81,056**	51,677
Provision for income taxes	**8,117**	2,984
Net income	**$72,939**	$48,693

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Mid-America, ACA
(Dollars in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2010	$8	$79,957	$2,352,174	$2,432,139
Net income	--	--	48,693	48,693
Capital stock/participation certificates issued	--	1,542	--	1,542
Capital stock/participation certificates retired	(8)	(1,217)	--	(1,225)
Balance at March 31, 2011	$ --	$80,282	$2,400,867	$2,481,149
Balance at December 31, 2011	**$ --**	**$82,000**	**$2,630,765**	**$2,712,765**
Net income	**--**	**--**	**72,939**	**72,939**
Capital stock/participation certificates issued	**--**	**1,828**	**--**	**1,828**
Capital stock/participation certificates retired	**--**	**(1,341)**	**--**	**(1,341)**
Balance at March 31, 2012	**$ --**	**$82,487**	**$2,703,704**	**$2,786,191**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Organization and Significant Accounting Policies

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to generally accepted accounting principles in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the year ended December 31, 2012. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our 2011 Annual Report for the year ended December 31, 2011.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of Mid-America, ACA (the parent) and Farm Credit Services of Mid-America, FLCA and Farm Credit Services of Mid-America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to multiemployer pension and post-employment benefit plans which should help financial statement users better understand the financial health of significant plans in which the employer participates. For non-public entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2012. The adoption of this guidance will have no impact on our consolidated financial condition or consolidated results of operations, but will result in additional disclosures.

In June 2011, the FASB issued guidance entitled, "Presentation of Comprehensive Income." The guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present items of net income and other comprehensive income in one continuous statement — referred to as the Statement of Comprehensive Income — or in two separate, but consecutive, statements. Each component of net income and each component of other comprehensive income, together with totals for comprehensive income and its two parts — net income and other comprehensive income, would need to be displayed under either alternative. The statement(s) would need to be presented with equal prominence as the other primary financial statements. The guidance is intended to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. For non-public entities, the guidance is effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The adoption of the guidance will have no impact on our consolidated financial condition or consolidated results of operations, but will result in changes to our financial statement presentation.

In May 2011, FASB issued guidance entitled, "Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)." The guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS as more fully outlined in the 2011 Annual Report. The amendments are to be applied prospectively. For non-public entities, the amendments are effective for annual periods beginning after December 15, 2011. The adoption of this guidance will have no impact on our consolidated financial condition or consolidated results of operations, but will result in additional disclosures.

In April 2011, the FASB issued guidance entitled, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." The guidance provides additional clarification to creditors for evaluating whether a modification or restructuring of a receivable is a troubled debt restructuring. The guidance is effective for non-public entities for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

NOTE 2: Loans and Allowance for Loan Losses

Loans consisted of the following (dollars in thousands):

	March 31, 2012		December 31, 2011	
	Amount	**%**	Amount	%
Real estate mortgage	**$10,245,917**	**68.2%**	$10,014,583	66.8%
Production and intermediate term	**2,565,001**	**17.1%**	2,859,528	19.0%
Agribusiness	**827,532**	**5.5%**	736,481	4.9%
Rural residential real estate	**1,040,847**	**6.9%**	1,042,501	6.9%
Finance leases	**272,350**	**1.8%**	281,132	1.9%
Other	**71,689**	**0.5%**	76,425	0.5%
Total	**$15,023,336**	**100.0%**	$15,010,650	100.0%

Delinquency

The following table provides an aging analysis of past due loans by loan type and accrued interest receivable (in thousands):

	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	90 Days Past Due and Accruing
As of March 31, 2012						
Real estate mortgage	**$59,264**	**$59,671**	**$118,935**	**$10,199,947**	**$10,318,882**	**$953**
Production and intermediate term	**22,323**	**23,827**	**46,150**	**2,546,393**	**2,592,543**	**248**
Agribusiness	**2,737**	**176**	**2,913**	**828,251**	**831,164**	**--**
Rural residential real estate	**16,187**	**11,148**	**27,335**	**1,016,059**	**1,043,394**	**99**
Finance leases	**83**	**619**	**702**	**271,648**	**272,350**	**--**
Other	**--**	**904**	**904**	**71,323**	**72,227**	**--**
Total	**$100,594**	**$96,345**	**$196,939**	**$14,933,621**	**$15,130,560**	**$1,300**
As of December 31, 2011						
Real estate mortgage	$64,646	$62,991	$127,637	$9,966,134	$10,093,771	$306
Production and intermediate term	17,478	28,121	45,599	2,848,796	2,894,395	408
Agribusiness	386	205	591	739,357	739,948	--
Rural residential real estate	23,028	12,820	35,848	1,009,126	1,044,974	--
Finance leases	80	622	702	280,430	281,132	--
Other	--	--	--	76,790	76,790	--
Total	$105,618	$104,759	$210,377	$14,920,633	$15,131,010	$714

Risk Loans

The following table presents information concerning risk loans (in thousands):

As of:	**March 31 2012**	December 31 2011
Volume with specific reserves	**$47,014**	$51,871
Volume without specific reserves	**244,713**	245,551
Total risk loans	**$291,727**	$297,422
Total specific reserves	**$13,411**	$14,317

Three months ended March 31	**2012**	2011
Income on accrual risk loans	**$158**	$125
Income on non-accrual loans	**3,479**	1,868
Total income on risk loans	**$3,637**	$1,993
Average risk loans	**$300,855**	$294,568

Troubled Debt Restructurings

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. Concessions vary by program and borrower. Concessions may include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. 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 specific allowance to reduce the carrying amount of the formally restructured loan to the lower of book value or net realizable value of collateral.

The following table presents information regarding troubled debt restructurings that occurred during the three months ended March 31, 2012 (in thousands):

	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Real estate mortgage	**$1,815**	**$1,830**
Production and intermediate term	**225**	**212**
Rural residential real estate	**570**	**570**
Total	**$2,610**	**$2,612**

Pre-modification represents the recorded investment just prior to restructuring and post-modification 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.

The following table presents information regarding troubled debt restructurings that occurred within the previous 12 months for which there was a subsequent payment default during the three months ended March 31, 2012 (in thousands):

	Recorded Investment
Real estate mortgage	**$355**
Production and intermediate term	**6**
Rural residential real estate	**269**
Total	**$630**

Troubled debt restructurings outstanding at March 31, 2012 totaled $20.8 million, of which $10.8 million were in non-accrual status. We had no additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at March 31, 2012.

Allowance for Loan Losses

A summary of changes in the allowance for loan losses follows (in thousands):

Three months ended March 31	**2012**	2011
Balance at beginning of year	**$80,734**	$125,787
(Reversal of) provision for loan losses	**(9,204)**	15,992
Loan recoveries	**1,924**	349
Loan charge-offs	**(6,222)**	(13,936)
Balance at end of period	**$67,232**	$128,192

The allowance for loan losses at March 31, 2011 was based upon prior methodology that was enhanced at September 30, 2011. The new methodology recognizes the strong collateralization within the portfolio which resulted in reversals of provision for loan losses at September 30, 2011 and December 31, 2011. Based on our analysis of factors such as loan loss history, portfolio quality, and current economic and environmental conditions, we recorded a reversal of provision for loan losses during the three months ended March 31, 2012. The reversal of provision for loan losses was related to additional consideration for customer level collateral reducing loss given default expectations.

NOTE 3: Investment Securities and Other Earning Assets

We held investment securities of $1.5 billion at March 31, 2012 and $1.4 billion at December 31, 2011. Our investment securities consisted of:

- securities containing loans guaranteed by the Small Business Administration (SBA),
- securities made up of Farm Services Administration securities (FSA), and
- securities issued by the U.S. Department of Agriculture (USDA).

Our investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

The following table presents the weighted average yield, amortized cost, unrealized gains and losses, and fair value of the investment securities (in thousands):

	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
As of March 31,2012					
SBA	**2.0%**	**$563,737**	**$8,325**	**$5,637**	**$566,425**
FSA	**4.6%**	**97,731**	**2,678**	**346**	**100,063**
USDA	**2.8%**	**846,193**	**1,120**	**26,513**	**820,800**
Total	**2.6%**	**$1,507,661**	**$12,123**	**$32,496**	**$1,487,288**
As of December 31, 2011					
SBA	2.1%	$480,183	$7,824	$4,484	$483,523
FSA	4.3%	100,033	2,790	424	102,399
USDA	2.7%	830,687	1,007	27,382	804,312
Total	2.6%	$1,410,903	$11,621	$32,290	$1,390,234

Investment income is recorded in “Interest income” on the Consolidated Statements of Income and totaled $9.5 million and $8.7 million for the three months ended March 31, 2012 and 2011, respectively.

The following table presents contractual maturities of our investment securities (in thousands):

As of March 31, 2012	Amortized Cost
Less than one year	**$441**
One to five years	**32,448**
Five to ten years	**272,035**
More than ten years	**1,202,737**
Total	**$1,507,661**

Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

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

	Less than 12 months		Greater than 12 months	
As of March 31, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
SBA	**$171,625**	**$4,164**	**$66,216**	**$1,473**
FSA	**10,031**	**250**	**2,917**	**96**
USDA	**156,733**	**9,343**	**537,802**	**17,170**
Total	**$338,389**	**$13,757**	**$606,935**	**$18,739**

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction to interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At March 31, 2012, most of the $32.5 million unrealized loss represents unamortized premium.

Other earning assets result from successor-in-interest contracts from our involvement with the federal government's tobacco buy-out program. The volume was $138.7 million at March 31, 2012 and $210.9 million at December 31, 2011. These amounts include both principal and interest income receivable. We discontinued the purchase of additional contracts during 2011. We evaluate these assets for impairment. These assets are 100% guaranteed by the U.S. government and even in light of the downgrade in 2011, no evidence exists that would indicate an impairment of this portfolio is warranted.

NOTE 4: Contingencies and Commitments

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.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

NOTE 5: Fair Value Measurements

The FASB guidance on "Fair Value Measurement" 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. The guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Notes 2 and 13 in our 2011 Annual Report for a more complete description.

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2012 or December 31, 2011. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis was as follows (in thousands):

	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
March 31, 2012					
Loans	**$ --**	**$35,283**	**$ --**	**$35,283**	**$906**
Other property owned	**--**	**--**	**29,338**	**29,338**	**(1,342)**
December 31, 2011					
Loans	$ --	$39,432	$ --	$39,432	$6,101
Other property owned	--	--	31,521	31,521	(3,227)

Loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Other Property Owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

The fair value measurement would fall under level 2 of the hierarchy if the process uses independent appraisals and other market-based information. The fair value measurement would fall under level 3 of the hierarchy 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.

NOTE 6: Subsequent Events

We have evaluated subsequent events through May 10, 2012, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.