

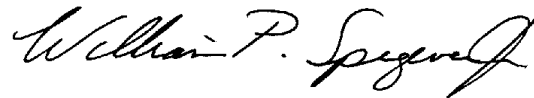
SECOND QUARTER 2009

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2009 quarterly report of AgSouth Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



William P. Spigener, Jr.
Chief Executive Officer



Alisa D. Gunter
Chief Financial Officer



Thomas H. Coward
Chairman of the Board

July 21, 2009

AgSouth Farm Credit, ACA

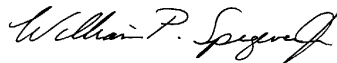
Report on Internal Control Over Financial Reporting

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

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of June 30, 2009. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of June 30, 2009, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of June 30, 2009



William P. Spigener
Chief Executive Officer



Alisa D. Gunter
Chief Financial Officer

July 21, 2009

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of AgSouth Farm Credit, ACA (Association) for the period ended June 30, 2009. This information should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2008 Annual Report of AgSouth Farm Credit. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

FORWARD LOOKING INFORMATION

This quarterly report contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage

loans. The Association's loan portfolio is diversified over a wide range of agricultural commodities produced in our region, including poultry (broilers, turkeys and eggs), timber, field crops and grains, horses, and beef cattle. Loans to producers of these commodities total \$1,130,957 or 76.60 percent of the Association's portfolio. Farm size varies, and many of the Association customers have diversified farming operations. These factors, along with the numerous opportunities for non-farm income in the area, reduce to some degree the level of income dependency on any given commodity.

During the second quarter of 2009 the Association originated \$27,116 in loans for the secondary market. Originations at the same period 2008 were \$21,835. The 24.19 percent increase is due to the lower interest rate environment and the significant number of refinances. As of June 30, 2009, the Association held \$2,012 in qualifying loans for sale.

Georgia Region

The general economy in the State of Georgia continues to suffer and experience rising unemployment. Unemployment through May 2009 had reached 9.7 percent up from 4.3 percent in 2007. There continues to be a dramatic decline in the housing market in and around the Atlanta area where supply far exceeds existing demand. Georgia also nears the top of the list in commercial bank failures in 2009 with nine (9) failed banks through June 30. Illinois is the only state outpacing Georgia with failed banks having had ten (10) fail through the same period. The overall economic decline is creating some deterioration in the credit quality of the Georgia portfolio with an increase in Other Assets Especially Mentioned (OAEM) and Substandard loans. These are primarily loans experiencing declining or more erratic income which results in their inability to pay in a timely manner. Any loan experiencing problems is identified quickly and classified accordingly. Problems within the commercial bank sector in Georgia are however creating some positive opportunities for the Association with less aggressive competition as well as the opportunity to pick up selective credits from commercial banks unable to meet borrower needs due to internal problems. Overall loan demand within the Georgia region has remained fairly good despite a marked slowdown in the number of real estate sales transactions. While there has been no notable decline in land values to date, a slight decline of some extent will more than likely be needed to spur sales activity. Also the number of distressed bank foreclosure sales is expected to put downward pressure on land values.

The agricultural sector of the economy in the region remains fairly strong with the exception of pork and the isolated problems associated with the possible closure of a large poultry processing plant in Douglas, Georgia. The Association has very limited exposure to the pork industry but does have approximately \$10 million in grower loans associated with this. There is also the possibility the plant will be sold to another integrator. However, those grower loans are fairly well secured with non-poultry related collateral and limited losses would be expected. An individual review of all those loans has been made as of June 30, 2009 to determine the extent of any future charge-offs that might exist under the worst case scenario.

The corn, soybean, peanut, and cotton crops are all presently rated fair to good by USDA's July 6 report. Some areas did not receive much rain in June which hurt corn yields; however, only 10 percent of the corn crop is ranked poor at this time. Tobacco is rated 25 percent poor, 32 percent fair, and 27 percent good. The ACA has very limited tobacco exposure. The fresh blueberry crop is approximately 80 percent completed with sales and receivables to continue from processed berries over the next 90 days. Overall yield was fair with the high bush variety hurt early by cold weather and then late rain and heat hurt the quality of the rabbit eye variety although its yield was very good. The fresh crop price has been good; however, prices on the processed berries are expected to be below average. Overall, profit margins for blueberry growers will be tight this year. The Vidalia onion crop is approximately 80% complete with stored onion being sold over the next 90 days. Prices and yield have been slightly above average.

The timber industry continues to be depressed with very low stumpage prices on standing timber available to land owners and low lumber prices to saw mills. Poultry prices have increased and feed cost have been reduced with lower corn prices and all integrators within the region's portfolio are presently operating with strong profit margins.

South Carolina Region

South Carolina's economy has struggled over the first two quarters of 2009 with unemployment being a major concern within the state. Unemployment for the state grew from 11.4 percent in April to 12.1 percent in May. Work areas with the largest job gains in the state include hospitality, financial activities, retail trade, education and health services and construction. Construction jobs increased for the first time since July 2008 as specialty trade contractors added work for remodeling and repair jobs. Manufacturing has been the big loser for the state in terms of jobs as over 29 thousand manufacturing positions have been lost in the past year.

The South Carolina Realtors Association reported housing sales statewide increased in May by about 16.5 percent over April sales, but sales levels were still down by 21.4 percent compared to May 2008. The median home price for the state is now \$142,000 and the average number of days homes stay on the market is currently 155 days. Many have

credited the "first-time homebuyer tax credit" for the recent boost in sales. Foreclosures have increased from May 2008 to the present by 65.2 percent.

Agriculture in the state remains stable. Acceptable levels of moisture received during the spring and early summer in most areas of the state has led to most crops having excellent yield potential. The corn, cotton, soybean and peanut crops all appear to have gotten off to a good start in the growing cycle. Soybeans have gained acreage in South Carolina given the ability to forward price at favorable prices and after considering the production costs for beans compared to that of other crops. Wheat and other small grain harvests are now essentially complete with excellent yields experienced. The quality of a portion of the small grain crop is still in question as some sprout damage was noted in the small grain harvested in late June. Forage crops of hay and grazing have benefited from the rainfall throughout most areas of the state and dramatic improvement is noted over 2008. South Carolina vegetables and fruits, which do not represent a large commodity concentration for the Association, have encountered differing results. Peaches unaffected by hail damage during the late spring are yielding good results, but several major producing areas did encounter hail damage. Tomato farmers are enjoying both positive harvests and prices as harvest nears conclusion.

No significant change has really occurred to the largest commodity concentration in South Carolina which is timber. This sector continues to represent over 40 percent of the region's financing as of the end of the second quarter 2009. Demand for timber products remains down. The timber industry anticipated seasonal increases in prices by early second quarter, but improvement was not observed until late second quarter. At this point, some price improvement has been noted even though not dramatic. The improvement in lumber demand noted during early summer has been oriented primarily to repairs and improvements within both the residential and commercial sectors. As stated in the past, very few South Carolina borrowers within the timber commodity grouping are actually dependent upon the sale of timber as most regional timberland loans are repaid from non-farm salary and non-farm corporate income.

The second largest commodity group financed within the Association's South Carolina region is broilers. With minimal new construction taking place and being financed, the dollars represented by the broiler industry in South Carolina are actually down about \$2 million compared to the first quarter volume. Improvement has been noted in the poultry commodity concentration as feed costs have stabilized while demand has actually improved and down time between flocks has likewise improved. A major portion of the South Carolina poultry debt remains guaranteed by FSA 90 percent guarantees.

Financing of rural real estate has slowed significantly as real estate sales have remained well below the levels

experienced over the past several years. Some reduction in real estate value is being noted as would be expected during difficult economic times, but thus far no major discounts in value have been documented. The drop in the number of real estate sales is making it more difficult to determine where current values stand, and the region has addressed this concern through managing advance rates against collateral in a more conservative manner.

Despite the negative factors in the state's general economy, the South Carolina region has continued to observe reasonable delinquency rates thus far in 2009. Unfortunately, nonearning assets have increased over the first two quarters. Several loans have required restructure efforts and long term performance for some of these restructured accounts will depend upon the ability to improve earnings or reduce debt through asset sales. Proactive servicing of accounts during the first six months of 2009 have allowed for better regional results than anticipated given the negative economic environment.

ASSOCIATION BALANCE SHEET

The gross loan volume of the Association as of June 30, 2009, was \$1,475,267, an increase of \$30,066 or 2.08 percent as compared to \$1,445,201 at December 31, 2008. Net loans outstanding at June 30, 2009 were \$1,468,558 as compared to \$1,440,734 at December 31, 2008. Net loans accounted for 94.52 percent of total assets at June 30, 2009, as compared to 94.36 percent of total assets at December 31, 2008.

The increase in gross and net loan volume during the reporting period is attributed to draws on annual operating credits to farmer/borrowers during the planting season outpacing payments and payoffs. The Association is seeing increased demand for some credit needs as commercial banks back away from agricultural lending in the current economic environment. The Association will be challenged to seek and find new, high quality volume that will not add significant risk to the portfolio.

The Association typically structures loans to meet the needs of the borrower. Many term loans are made for ten years or less allowing the borrower to build equity faster and thus reducing the risk in the loan portfolio.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased from \$4,419 at December 31, 2008, to \$12,448 at June 30, 2009. This increase is the result of transfers to nonaccrual status exceeding payments and payoffs on existing nonaccrual accounts and includes several accounts in excess of \$1,000. The increase in nonaccrual loans can, in some instances, be tied to the general economy. Association staff is working diligently to work out this and all other nonaccrual debt situations.

Other property owned increased to \$6,640 at June 30, 2009 from \$216 at December 31, 2008. The increase in other property owned is the result of workout situations with troubled debts and includes several pieces of property taken as deed in lieu of foreclosure. The Association is actively marketing all properties for sale. For details, please visit our website at www.agsouthfc.com/classifieds.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at June 30, 2009, was \$6,709 compared to \$4,467 at December 31, 2008, and was considered by management to be adequate to cover possible losses. The increase in the allowance account came from an addition to the provision for loan losses and recoveries which exceeded charge-offs during the reporting period. The Asset/Liability Committee (ALCO) of the Association, which is comprised of members of senior management, corporate lenders, and staff assigned to special assets management, met in March to review the allowance account. The ALCO determined that an addition to the allowance account was needed. The Association funded the allowance through the provision for loan loss by \$2,515 since January 1, 2009.

Premises and equipment, net increased \$642 from \$13,342 at December 31, 2008 to \$13,984 at June 30, 2009. The Association has new office facilities under construction in Douglas, Georgia and Rock Hill, South Carolina. The Association also has an extensive remodeling project going on in Summerville, South Carolina. These new buildings and improvements will help the Association better meet the needs of the customer base.

RESULTS OF OPERATIONS

For the three months ended June 30, 2009

Net income for the three months ended June 30, 2009, totaled \$5,713 as compared to \$8,018 for the same period in 2008. Net interest income before the provision for loan loss increased \$697 for the three months ended June 30, 2009, as compared to the same period in 2008 due primarily to the increase in margin on new and existing loan volume. Net interest income after the provision for loan losses decreased \$1,176 in the quarter ending June 30, 2009. The Association's ALCO made the decision that a provision entry was needed after analyzing the risk in the current portfolio. The ALCO authorized a provision entry of \$1,872 in June. The analysis included reviewing historical trends, loan size, loan performance and credit quality reports.

At June 30, 2009, interest income on loans decreased \$2,310 compared to the same period in 2008. The decrease was due to the lower interest rate environment. At June 30, 2008, the weighted average rate of the accruing loan portfolio was 7.310 percent compared to 6.623 percent at June 30, 2009. Nonaccrual income, which is included in interest income,

was \$26 for the three months ended June 30, 2009, as compared to \$146 for the same period in 2008.

Interest expense decreased \$3,006 for the three months ended June 30, 2009. The decrease is attributable to the lower interest rate environment and the ability to fix a portion of the Association's lendable equity at favorable rates which resulted in lower interest expense.

Noninterest income increased \$592 over the same period last year. Loan fees increased \$178 or 23.71 percent. The increase in loan fees is due to late charges, servicing fees on loans sold to AgFirst Farm Credit Bank and other associations, and servicing fees on loans sold in the secondary mortgage market. Fees for financially related services increased \$30 from \$33 at June 30, 2008 compared to \$63 at June 30, 2009. The 88.27 percent increase in fees for financially related services is the result of income earned on sales of multi-peril insurance and fee appraisal services. The equity in earnings from other Farm Credit institutions increased \$206 from \$2,925 at June 30, 2008 to \$3,131 at June 30, 2009. The increase is the result of the higher average Notes Payable note balance and participations sold to other Associations.

Gains on the sale of rural homes loans increased \$117 from \$218 at June 30, 2008 compared to \$335 at June 30, 2009. The increase in gains is the result of the activity in the housing market and our originators being successful at getting these loans processed quickly and efficiently. Other noninterest income increased \$127 from \$40 at June 30, 2008 compared to \$167 at June 30, 2009. Other noninterest income includes gains recorded on the Association's investment in a long-term deferred compensation account maintained for certain key employees and previous retirees.

Noninterest expense for the three months ended June 30, 2009, increased \$1,843 compared to the same period of 2008. Salaries and employee benefit expense increased \$1,852 between the two reporting periods. The 36.29 percent increase in salaries and employee benefits is tied to an increase in expense related to the Association's retirement plan. It also increased due to the slight increase in the number of full-time employees as the Association prepares for some upcoming retirements as well as normal annual salary adjustments. The Association evaluated the 2009 performance measures for incentive purposes and determined that some employees would earn incentive in 2009. Based upon this information, the Association accrued \$1,212 in incentive in June 2009.

Occupancy and equipment expense at June 30, 2009 was \$511 compared to \$507 for the same period in 2008. The Insurance Fund premium increased \$101 from \$487 at June 30, 2008 to \$588 at June 30, 2009. The increase in the premium expense is tied to change in the calculation of the expense by the insurance corporation as well as the in both accruing and nonaccruing loan volume. Other operating expenses decreased \$114 from June 30, 2008, \$1,180 compared to \$1,066 at June 30, 2009. The decrease is the

result of cost saving measures implemented in the second quarter in an effort to control expenses and meet 2009 earnings goals. Some of the decrease may be timing related when compared to the prior year period.

For the six months ended June 30, 2009

Net income for the six months ended June 30, 2009, totaled \$13,615 as compared to \$17,919 for the same period in 2008. Net interest income before the provision for loan loss increased \$969 for the six months ended June 30, 2009, as compared to the same period in 2008 due primarily to the increase in margin on new volume and focused repricing efforts on existing loan volume. Net interest income after the provision for loan losses decreased \$1,546 in the quarter ending June 30, 2009. The Association's ALCO made the decision that a provision entry was needed after analyzing the risk in the current portfolio. The ALCO authorized provision entries of \$643 in March and \$1,872 in June. The analysis included reviewing historical trends, loan size, loan performance and credit quality reports.

At June 30, 2009, interest income on loans decreased \$4,853 compared to the same period in 2008. The decrease was due to the lower interest rate environment. Nonaccrual income, which is included in interest income, was \$49 for the three months ended June 30, 2009, as compared to \$194 for the same period in 2008.

Interest expense decreased \$5,822 for the six months ended June 30, 2009. The decrease is attributable to the lower interest rate environment and the ability to fix a portion of the Association's lendable equity at favorable rates which resulted in lower interest expense.

Noninterest income increased \$1,036 over the same period last year. Loan fees increased \$389 or 23.63 percent. The increase in loan fees is due to late charges, servicing fees on loans sold to AgFirst Farm Credit Bank and other associations and servicing fees on loans sold in the secondary mortgage market. Fees for financially related services increased \$49 from \$217 at June 30, 2008 compared to \$266 at June 30, 2009. The 22.58 percent increase in fees for financially related services is the result of increased income earned on sales of multi-peril insurance and fee appraisal services. The equity in earnings from other Farm Credit institutions increased \$288 from \$5,768 at June 30, 2008 to \$6,056 at June 30, 2009. The increase is the result of the higher average Notes Payable note balance and participations sold to other Associations.

Losses on other property owned decreased to \$68. The additional losses were primarily from a write-down on a piece of property that has been on the Association's books for more than one year. Gains on the sale of rural homes loans almost doubled from \$463 at June 30, 2008 compared to \$632 at June 30, 2009. The increase in gains is the result of the activity in the housing market. Other noninterest income

increased \$139 from \$130 at June 30, 2008 compared to \$269 at June 30, 2009.

Noninterest expense for the six months ended June 30, 2009, increased \$3,782 compared to the same period of 2008. Salaries and employee benefit expense increased \$3,619 between the two reporting periods. The 43.17 percent increase in salaries and employee benefits is tied to an increase in expense related to the Association's retirement plan. It also increased due to the slight increase in the number of full-time employees as the Association prepares for some upcoming retirements as well as normal annual salary adjustments. The Association evaluated the 2009 performance measures for incentive purposes and determined that some employees would earn incentive in 2009. Based upon this information, the Association accrued \$1,212 in incentive in June, 2009.

Occupancy and equipment expense at June 30, 2009 was \$1,029 compared to \$1,026 for the same period in 2008. The Insurance Fund premium increased from \$943 at June 30, 2008 to \$1,153 at June 30, 2009. The increase in the premium expense is tied to change in the calculation of the expense by the insurance corporation as well as the increase in accruing and nonaccruing loan volume. Other operating expenses decreased \$50 from June 30, 2008, \$2,528 compared to \$2,478 at June 30, 2009. The decrease is the result of cost saving measures implemented in the second quarter in an effort to control expenses and meet 2009 earnings goals. Some of the decrease may be timing related when compared to the prior year period.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at June 30, 2009 was \$1,299,614 as compared to \$1,262,811 at December 31, 2008. The increase is related to the increase in loan volume between the two reporting periods.

As of June 30, 2009, the Association had invested \$138,900 of its lendable equity in fixed rate notes. These fixed rate notes will mature in 2010 through January 2013.

CAPITAL RESOURCES

Total members' equity at June 30, 2009 increased to \$229,540 from the December 31, 2008 total of \$228,389. The increase is primarily attributed to the earnings of the Association offset by revolvment of allocated equities and the retirement of capital stock and participation certificates during the reporting period. At December 31, 2008, allocated retained earnings totaled \$109,795. At June 30, 2009, the allocated retained earnings had decreased to \$96,898.

Total capital stock and participation certificates were \$6,409 on June 30, 2009, compared to \$6,605 on December 31, 2008. The decrease is attributed to the retirement of protected stock and participation certificates on loans liquidated in the normal course of business, the retirement of excess stock, and new loans being capitalized at lower regulatory levels.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus, and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus, and core surplus, as defined in FCA regulations, by a risk-adjusted asset base. As of June 30, 2009, the Association's total surplus ratio and core surplus ratio were 14.11 percent and 10.18 percent, respectively, and the permanent capital ratio was 14.56 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

The Association has a portion of the portfolio in an in-portfolio guarantee program with Farmer Mac. At June 30, 2009, the Association had loans totaling \$11,739 in this program. No additional placement of loans is scheduled at this time. The cost of the guarantees year to date was \$32. The use of the Farmer Mac In-portfolio guarantee has a positive effect on the Association's capital ratios.

At December 31, 2008, the Association's permanent capital ratio was 14.78 percent. The decrease to 14.56 percent permanent capital at June 30, 2009 is the result of the Association's growth outpacing additions to retained earnings. Association management continues to discuss several options available to the Association to strengthen the capital position. These options include selling additional loans to AgFirst and others, placing pools of loans with Farmer Mac in the in-portfolio guarantee program, and participating with AgFirst in a capitalized participation pool. All options are being studied should management and the Board determine that steps are necessary to maintain the Association's strong capital position.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 378, or writing Stephen Gilbert, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-310-4805, ext 237, writing Alisa D. Gunter, CFO, AgSouth Farm Credit, ACA, PO Box 4966, Spartanburg, SC 29305, or accessing the website www.agsouthfc.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

AgSouth Farm Credit, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	June 30, 2009	December 31, 2008
	<i>(unaudited)</i>	<i>(audited)</i>
Assets		
Cash	\$ 1,880	\$ 2,772
Loans	1,475,267	1,445,201
Less: allowance for loan losses	6,709	4,467
Net loans	1,468,558	1,440,734
Loans held for sale	2,012	977
Accrued interest receivable	16,875	17,145
Investment in other Farm Credit institutions	23,342	23,316
Premises and equipment, net	13,984	13,342
Other property owned	6,640	216
Due from AgFirst Farm Credit Bank	5,967	11,225
Other assets	14,483	17,063
Total assets	\$ 1,553,741	\$ 1,526,790
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 1,299,614	\$ 1,262,811
Accrued interest payable	3,856	4,754
Patronage refund payable	254	9,952
Other liabilities	20,477	20,884
Total liabilities	1,324,201	1,298,401
Commitments and contingencies		
Members' Equity		
Protected borrower equity	257	335
Capital stock and participation certificates	6,152	6,270
Retained earnings		
Allocated	96,898	109,795
Unallocated	126,443	112,202
Accumulated other comprehensive income (loss)	(210)	(213)
Total members' equity	229,540	228,389
Total liabilities and members' equity	\$ 1,553,741	\$ 1,526,790

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

AgSouth Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Interest Income				
Loans	\$ 23,770	\$ 26,080	\$ 47,676	\$ 52,529
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	11,590	14,563	23,949	29,698
Other	2	35	5	78
Total interest expense	11,592	14,598	23,954	29,776
Net interest income	12,178	11,482	23,722	22,753
Provision for (reversal of allowance for) loan losses	1,872	—	2,515	—
Total interest expense	11,592	14,598	23,954	29,776
Net interest income after provision for (reversal of allowance for) loan losses	10,306	11,482	21,207	22,753
Noninterest Income				
Loan fees	930	752	2,035	1,646
Fees for financially related services	63	33	266	217
Equity in earnings of other Farm Credit institutions	3,131	2,925	6,056	5,768
Gains (losses) on other property owned, net	(64)	2	(68)	21
Gains (losses) on sale of rural home loans, net	335	218	632	372
Other noninterest income	167	40	269	130
Total noninterest income	4,562	3,970	9,190	8,154
Noninterest Expense				
Salaries and employee benefits	6,956	5,104	12,002	8,383
Occupancy and equipment	511	507	1,029	1,026
Insurance Fund premium	588	487	1,153	943
Other operating expenses	1,066	1,180	2,478	2,528
Total noninterest expense	9,121	7,278	16,662	12,880
Income before income taxes	5,747	8,174	13,735	18,027
Provision (benefit) for income taxes	34	156	120	108
Total interest expense	9,121	7,278	16,662	12,880
Net income	\$ 5,713	\$ 8,018	\$ 13,615	\$ 17,919

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

AgSouth Farm Credit, ACA
**Consolidated Statements of Changes in
Members' Equity**

(unaudited)

(dollars in thousands)

	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2007	\$ 457	\$ 6,176	\$ 102,123	\$ 107,688	\$ (197)	\$ 216,247
Comprehensive income						
Net income				17,919		17,919
Employee benefit plans adjustments				(30)	11	(19)
Total comprehensive income						17,900
Protected borrower equity retired	(104)					(104)
Capital stock/participation certificates issued/(retired), net		87				87
Retained earnings retired			(11,843)			(11,843)
Patronage distribution adjustment			158	(221)		(63)
Balance at June 30, 2008	\$ 353	\$ 6,263	\$ 90,438	\$ 125,356	\$ (186)	\$ 222,224
Balance at December 31, 2008	\$ 335	\$ 6,270	\$ 109,795	\$ 112,202	\$ (213)	\$ 228,389
Comprehensive income						
Net income				13,615		13,615
Employee benefit plans adjustments					3	3
Total comprehensive income						13,618
Protected borrower equity retired	(78)					(78)
Capital stock/participation certificates issued/(retired), net		(118)				(118)
Retained earnings retired			(13,427)			(13,427)
Patronage distribution adjustment			530	626		1,156
Balance at June 30, 2009	\$ 257	\$ 6,152	\$ 96,898	\$ 126,443	\$ (210)	\$ 229,540

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

