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*MidAtlantic Farm Credit, ACA*

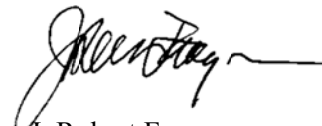
# FIRST QUARTER 2014

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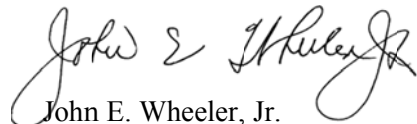
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## CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2014 quarterly report of MidAtlantic 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.



J. Robert Frazee  
Chief Executive Officer



John E. Wheeler, Jr.  
Chief Financial Officer



Fred N. West  
Chairman of the Board

May 9, 2014

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*MidAtlantic Farm Credit, ACA*

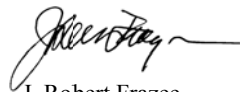
# Report on Internal Control Over Financial Reporting

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.

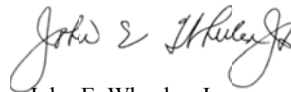
Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions 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 March 31, 2014. 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 March 31, 2014, the internal control over financial reporting was effective based upon the COSO (1992) criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2014.



J. Robert Frazee  
Chief Executive Officer



John E. Wheeler, Jr.  
Chief Financial Officer

May 9, 2014

# 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 MidAtlantic Farm Credit, ACA (Association) for the period ended March 31, 2014. The comments contained in this report should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2013 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

## LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for the financing of short- and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio encompasses a well-diversified range of agricultural commodities, with cash grains, poultry and dairy representing the largest segments. In addition, the Association provides a significant amount of loans to lessors of agricultural real estate. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the opportunities for non-farm income, impacts the level of dependency on any particular commodity.

Gross loans at March 31, 2014 totaled \$2,207,492 compared to \$2,197,662 at December 31, 2013, increasing \$9,830 (0.45 percent) during the first three months. The Association's allowance for loan losses of \$25,298 increased \$1,568 (6.61 percent) during the first three months of 2014 resulting in net loans (gross loans less allowance for loan losses) of \$2,182,194 and \$2,173,932 at March 31, 2014 and December 31, 2013, respectively. Nonaccrual loans decreased \$1,443 (5.4 percent) from \$26,713 at December 31, 2013 to \$25,270 at March 31, 2014 resulting in a decrease in the ratio of nonaccrual loans to total loans from 1.22 percent to 1.14 percent. In addition, Other property owned increased from \$841 at December 31, 2013 (7 properties) to \$3,018 at March 31, 2014 (9 properties).

There is an inherent risk in the extension of any type of credit and, accordingly, the Association maintains an allowance for loan losses consistent with the risk measured in the portfolio.

Credit administration remains satisfactory and the overall credit quality of the Association's loan portfolio has remained acceptable. A provision for loan losses of \$125 was recorded in the first quarter of 2014, that after giving effect to the net impact

of recoveries in excess of charge-offs, increased the Association's allowance \$1,568 as of March 31, 2014. The allowance for loan losses represented 1.15 percent and 1.08 percent of total loans, and 100.11 percent and 88.83 percent of Nonaccrual loans, at March 31, 2014 and December 31, 2013, respectively. See also Note 2 of "Notes to the Consolidated Financial Statements".

## RESULTS OF OPERATIONS

### *For the three months ended March 31, 2014*

Net income for the three months ended March 31, 2014 totaled \$10,577, an increase of \$554 (5.53 percent) compared to the three months ended March 31, 2013. Major changes in the components of net income are identified as follows:

- Net interest income increased \$415 (2.52 percent) for the quarter ended March 31, 2014 compared to the same period in 2013. The increase in net interest income is primarily attributable to (a) a \$755 increase in the Association's earnings credit due to (i) a change in the index employed by AgFirst Farm Credit Bank in computing the credit and (ii) an increase in the Association's equity, (b) a \$535 increase due to a \$91.0 million increase in the average daily balance of accruing portfolio volume, and (c) a \$349 reduction in net interest charged attributable to nonaccruing loans due to the significant reduction in Nonaccruing loan volume as compared to the first quarter of 2013. These increases were partially offset by a \$1,224 decrease due to a decrease in the Association's portfolio margin.
- The risks identified in the Association's loan portfolio required a provision for loan losses of \$125 and \$2,000 to be recorded in the first quarter of 2014 and 2013, respectively. The Association's Nonaccrual loans decreased from 1.22 percent at December 31, 2013 to 1.14 percent of the portfolio at March 31, 2014. Nonaccrual loans are the lowest since the end of the second quarter of 2008 when nonaccrual loans were \$15.8 million, or 0.82 percent of the total portfolio; this further illustrates the continuing improvement in the quality of the Association's loan portfolio. See also Note 2 of "Notes to the Consolidated Financial Statements".

- At March 31, 2014 and 2013, the Association accrued an estimated patronage receipt (reported as “Patronage refunds from other Farm Credit institutions” on the Consolidated Statements of Income) of \$3,274 and \$3,397, respectively, which is based on first quarter operations only; management anticipates additional income for the remaining quarters in 2014. Since this income from AgFirst Farm Credit Bank (the Bank) is reasonably estimable and because there is a history of these earnings, management is of the opinion that including this income in quarterly operations provides shareholders with a more accurate forecast of annualized net income. The decrease in the accrual in 2014 is due to the combined impact of an increase in loan volume offset by an increase in the Association’s equity which reduced borrowings from the Bank.
- Noninterest income decrease in the first quarter of \$485 (10.73 percent) included (a) an increase of \$179 from fees for financially related services offset by (b) a \$123 decrease in Patronage refunds, (c) a \$223 decrease in net gain and sales of rural home loans, and (d) a \$281 decrease in Other Noninterest Income.
- Noninterest expense for the first quarter of 2014 was \$9,819 as compared to \$8,953 for the first quarter of 2013 or an increase of \$866 (9.67 percent). The increases of \$409 (6.35 percent) for Salaries and benefits is primarily comprised of a \$247 increase in salaries expense, and a \$119 increase in employee benefits principally related to health plan increases of \$81, payroll related taxes of \$16 and pension plan increases of \$11. See also Note 3 of “Notes to the Consolidated Financial Statements”.

Insurance fund premium expense increased \$81 (19.61 percent) due to the increase in the Farm Credit System Insurance Corporation (FCSIC) premium from 0.10 percent of loans outstanding in 2013 to 0.12 percent in 2014.

Occupancy and equipment and Other operating expenses increased \$371 (17.25 percent) from \$2,151 to \$2,522. The increases were primarily related to director’s expenses, purchased services, travel, cost of space, equipment and technology, advertising and other operating expense offset by a decrease in training and member related expenses.

## FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with 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 sectors. The Association utilizes the variable rate note 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 March 31, 2014 was \$1,712,613 compared to \$1,724,627 at December 31, 2013. This decrease during the period of \$12,014 (0.70 percent) corresponds to the receipt of prior year Bank patronage, current year net cash generated from operating activities reduced by the increase in the Association’s loan volume and by patronage payments to stockholders.

## CAPITAL RESOURCES

Members’ equity at March 31, 2014 totaled \$494,571 an increase of \$5,282 (1.08 percent) compared to total members’ equity of \$489,289 at December 31, 2013. Net income of \$10,577 for the three months ended March 31, 2014 and net member capital stock/participation certificates retired of \$34, an estimated cash patronage distribution accrual for the first three months of 2014 totaling \$4,750, and net patronage distribution adjustment and retained earnings retired of \$527 account for the change.

FCA regulations require that all Farm Credit institutions maintain a minimum permanent capital ratio of 7.0 percent and total surplus and core surplus ratios equal to 3.5 percent. 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. At March 31, 2014, the Association exceeded minimum regulatory standard for all of the ratios as permanent capital, total surplus and core surplus ratios equaled 20.53 percent, 20.15 percent and 20.15 percent, respectively.

## REGULATORY MATTERS

On March 31, 2014, the FCA published an interim final rule rescinding all requirements for nonbinding advisory votes on senior officer compensation at System banks and associations. The comment period for the interim rule ended on April 30, 2014. A final effective date for the rule has not yet been published.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, “*Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*”, in the Notes to the Financial Statements, and the 2013 Annual Report to Shareholders for recently issued accounting pronouncements.

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**NOTE:** Shareholder investment in the Association is materially 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. 2832, or writing Susanne Caughman, 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](http://www.agfirst.com). Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-333-7950, or writing John E. Wheeler, Jr., Chief Financial Officer, MidAtlantic Farm Credit, ACA, 45 Aileron Court, Westminster, MD 21157-3022, or accessing the website, [www.mafc.com](http://www.mafc.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.

# MidAtlantic Farm Credit, ACA

## Consolidated Balance Sheets

<i>(dollars in thousands)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Assets</b>		
Cash	\$ 2,559	\$ 2,540
Loans	2,207,492	2,197,662
Allowance for loan losses	(25,298)	(23,730)
Net loans	2,182,194	2,173,932
Loans held for sale	1,609	68
Accrued interest receivable	13,905	11,769
Investments in other Farm Credit institutions	24,900	24,840
Premises and equipment, net	12,186	12,399
Other property owned	3,018	841
Accounts receivable	3,676	37,339
Other assets	7,286	8,439
Total assets	<u>\$ 2,251,333</u>	<u>\$ 2,272,167</u>
<b>Liabilities</b>		
Notes payable to AgFirst Farm Credit Bank	\$ 1,712,613	\$ 1,724,627
Accrued interest payable	3,205	3,428
Patronage refunds payable	5,063	13,079
Accounts payable	2,292	5,208
Other liabilities	33,589	36,536
Total liabilities	<u>1,756,762</u>	<u>1,782,878</u>
Commitments and contingencies		
<b>Members' Equity</b>		
Capital stock and participation certificates	9,622	9,656
Retained earnings		
Allocated	268,997	271,212
Unallocated	216,313	208,798
Accumulated other comprehensive income (loss)	(361)	(377)
Total members' equity	<u>494,571</u>	<u>489,289</u>
Total liabilities and members' equity	<u>\$ 2,251,333</u>	<u>\$ 2,272,167</u>

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

# MidAtlantic Farm Credit, ACA

## Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	<b>For the three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Interest Income</b>		
Loans	\$ 26,472	\$ 26,417
<b>Interest Expense</b>		
Notes payable to AgFirst Farm Credit Bank	9,602	9,962
Net interest income	16,870	16,455
Provision for loan losses	125	2,000
Net interest income after provision for loan losses	16,745	14,455
<b>Noninterest Income</b>		
Loan fees	287	300
Fees for financially related services	266	87
Patronage refunds from other Farm Credit institutions	3,274	3,397
Gains (losses) on sales of rural home loans, net	134	357
Gains (losses) on sales of premises and equipment, net	—	20
Gains (losses) on other transactions	38	42
Other noninterest income	37	318
Total noninterest income	4,036	4,521
<b>Noninterest Expense</b>		
Salaries and employee benefits	6,850	6,441
Occupancy and equipment	595	557
Insurance Fund premiums	494	413
(Gains) losses on other property owned, net	(47)	(52)
Other operating expenses	1,927	1,594
Total noninterest expense	9,819	8,953
Income before income taxes	10,962	10,023
Provision for income taxes	385	—
Net income	\$ 10,577	\$ 10,023

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

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MidAtlantic Farm Credit, ACA  
**Consolidated Statements of  
Comprehensive Income**

*(unaudited)*

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2014	2013
Net income	\$ 10,577	\$ 10,023
<b>Other comprehensive income net of tax</b>		
Employee benefit plans adjustments	16	24
Comprehensive income	\$ 10,593	\$ 10,047

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



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

*(unaudited)*

<i>(dollars in thousands)</i>	<b>Capital Stock and Participation Certificates</b>	<b>Retained Earnings</b>		<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Members' Equity</b>
		<b>Allocated</b>	<b>Unallocated</b>		
Balance at December 31, 2012	\$ 9,498	\$ 239,421	\$ 202,563	\$ (601)	\$ 450,881
Comprehensive income			10,023	24	10,047
Capital stock/participation certificates issued/(retired), net	18				18
Patronage distribution					
Cash			(2,525)		(2,525)
Retained earnings retired		(161)	52		(109)
Patronage distribution adjustment		(1,693)	1,440		(253)
<b>Balance at March 31, 2013</b>	<b>\$ 9,516</b>	<b>\$ 237,567</b>	<b>\$ 211,553</b>	<b>\$ (577)</b>	<b>\$ 458,059</b>
Balance at December 31, 2013	\$ 9,656	\$ 271,212	\$ 208,798	\$ (377)	\$ 489,289
Comprehensive income			10,577	16	10,593
Capital stock/participation certificates issued/(retired), net	(34)				(34)
Patronage distribution					
Cash			(4,750)		(4,750)
Retained earnings retired		(124)	11		(113)
Patronage distribution adjustment		(2,091)	1,677		(414)
<b>Balance at March 31, 2014</b>	<b>\$ 9,622</b>	<b>\$ 268,997</b>	<b>\$ 216,313</b>	<b>\$ (361)</b>	<b>\$ 494,571</b>

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

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*MidAtlantic Farm Credit, ACA*

# Notes to the Consolidated Financial Statements

*(dollars in thousands, except as noted)  
(unaudited)*

## **Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements**

### **Organization**

The accompanying financial statements include the accounts of MidAtlantic Farm Credit, ACA (the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2013, are contained in the 2013 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

### **Basis of Presentation**

In the opinion of management, 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 (GAAP) and prevailing practices within the banking industry.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of the results to be expected for a full year.

### **Significant Accounting Policies**

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified.

### **Recently Issued Accounting Pronouncements**

In March 2014 The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-06, "Technical Corrections and Improvements Related to Glossary Terms (Master Glossary)." The amendments in this Update

relate to glossary terms, cover a wide range of Topics in the Codification and are presented in four sections: Deletion of Master Glossary Terms, Addition of Master Glossary Term Links, Duplicate Master Glossary Terms, and Other Technical Corrections Related to Glossary Terms. These amendments did not have transition guidance and were effective upon issuance for both public entities and nonpublic entities.

In January 2014 the FASB issued ASU 2014-04, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." The objective of the amendments in this Update is to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. Early adoption is permitted.

Other recently issued accounting pronouncements are discussed in the 2013 Annual Report to Shareholders.

## **Note 2 — Loans and Allowance for Loan Losses**

For a complete description of the Association's accounting for loans (including impaired loans and the allowance for loan losses) and definitions of loan types, see the 2013 Annual Report to Shareholders.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	March 31, 2014	December 31, 2013
Real estate mortgage	\$ 1,302,708	\$ 1,297,403
Production and intermediate-term	701,424	732,767
Loans to cooperatives	19,565	38
Processing and marketing	51,748	41,127
Farm-related business	60,988	60,095
Communication	38,437	34,208
Energy and water/waste disposal	3,473	3,539
Rural residential real estate	29,149	28,485
<b>Total Loans</b>	<b>\$ 2,207,492</b>	<b>\$ 2,197,662</b>

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present participation loan balances at periods ended:

	March 31, 2014							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 10,702	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ 10,702	\$ 750
Production and intermediate-term	48,224	70,721	1,432	21,623	48,097	-	97,753	92,344
Loans to cooperatives	207	-	19,368	-	-	-	19,575	-
Processing and marketing	31,767	-	6,173	-	9,809	-	47,749	-
Farm-related business	1,324	-	23,904	-	2,988	-	28,216	-
Communication	-	-	38,513	-	-	-	38,513	-
Energy and water/waste disposal	-	-	3,480	-	-	-	3,480	-
<b>Total</b>	<b>\$ 92,224</b>	<b>\$ 71,471</b>	<b>\$ 92,870</b>	<b>\$ 21,623</b>	<b>\$ 60,894</b>	<b>\$ -</b>	<b>\$ 245,988</b>	<b>\$ 93,094</b>

	December 31, 2013							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 11,077	\$ 900	\$ -	\$ -	\$ -	\$ -	\$ 11,077	\$ 900
Production and intermediate-term	48,817	62,364	4,172	22,130	39,316	-	92,305	84,494
Loans to cooperatives	-	-	52	-	-	-	52	-
Processing and marketing	21,123	-	6,078	-	9,418	-	36,619	-
Farm-related business	3,162	-	23,657	-	3,036	-	29,855	-
Communication	-	-	34,284	-	-	-	34,284	-
Energy and water/waste disposal	-	-	3,547	-	-	-	3,547	-
<b>Total</b>	<b>\$ 84,179</b>	<b>\$ 63,264</b>	<b>\$ 71,790</b>	<b>\$ 22,130</b>	<b>\$ 51,770</b>	<b>\$ -</b>	<b>\$ 207,739</b>	<b>\$ 85,394</b>

A significant source of liquidity for the Association is the repayments and maturities of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

	March 31, 2014			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	\$ 32,241	\$ 440,921	\$ 829,546	\$ 1,302,708
Production and intermediate-term	163,040	353,634	184,750	701,424
Loans to cooperatives	18,924	641	-	19,565
Processing and marketing	6,276	18,602	26,870	51,748
Farm-related business	8,467	39,953	12,568	60,988
Communication	38,477	(9)	(31)	38,437
Energy and water/waste disposal	-	-	3,473	3,473
Rural residential real estate	2,333	12,498	14,318	29,149
<b>Total Loans</b>	<b>\$ 269,758</b>	<b>\$ 866,240</b>	<b>\$ 1,071,494</b>	<b>\$ 2,207,492</b>
Percentage	12.22%	39.24%	48.54%	100.00%

The following table shows loans and related accrued interest, classified under the FCA Uniform Loan Classification System, as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2014	December 31, 2013		March 31, 2014	December 31, 2013
<b>Real estate mortgage:</b>			<b>Communication:</b>		
Acceptable	92.67%	93.19%	Acceptable	100.00%	100.00%
OAEM	4.22	4.13	OAEM	0.00	0.00
Substandard/doubtful/loss	3.11	2.68	Substandard/doubtful/loss	0.00	0.00
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>
<b>Production and intermediate-term:</b>			<b>Energy and water/waste disposal:</b>		
Acceptable	88.27%	89.49%	Acceptable	100.00%	100.00%
OAEM	8.09	7.01	OAEM	0.00	0.00
Substandard/doubtful/loss	3.64	3.50	Substandard/doubtful/loss	0.00	0.00
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>
<b>Loans to cooperatives:</b>			<b>Rural residential real estate:</b>		
Acceptable	83.39%	(3.34)%	Acceptable	86.19%	85.72%
OAEM	16.61	103.34	OAEM	4.94	5.34
Substandard/doubtful/loss	0.00	0.00	Substandard/doubtful/loss	8.87	8.94
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>
<b>Processing and marketing:</b>			<b>Total Loans:</b>		
Acceptable	99.52%	98.67%	Acceptable	91.60%	92.26%
OAEM	0.48	0.60	OAEM	5.29	4.86
Substandard/doubtful/loss	0.00	0.73	Substandard/doubtful/loss	3.11	2.88
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>
<b>Farm-related business:</b>					
Acceptable	99.82%	99.72%			
OAEM	0.18	0.26			
Substandard/doubtful/loss	0.00	0.02			
	<u>100.00%</u>	<u>100.00%</u>			

The following tables provide an age analysis of past due loans and related accrued interest as of:

	March 31, 2014					
	30 Through 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 or More Past Due and Accruing Interest
Real estate mortgage	\$ 7,496	\$ 6,433	\$ 13,929	\$ 1,297,595	\$ 1,311,524	\$ -
Production and intermediate-term	8,101	9,246	17,347	688,590	705,937	-
Loans to cooperatives	-	-	-	19,591	19,591	-
Processing and marketing	-	-	-	51,800	51,800	-
Farm-related business	51	-	51	61,265	61,316	-
Communication	-	-	-	38,447	38,447	-
Energy and water/waste disposal	-	-	-	3,510	3,510	-
Rural residential real estate	390	726	1,116	28,156	29,272	-
Total	<u>\$ 16,038</u>	<u>\$ 16,405</u>	<u>\$ 32,443</u>	<u>\$ 2,188,954</u>	<u>\$ 2,221,397</u>	<u>\$ -</u>
	December 31, 2013					
	30 Through 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 or More Past Due and Accruing Interest
Real estate mortgage	\$ 4,749	\$ 6,690	\$ 11,439	\$ 1,292,960	\$ 1,304,399	\$ -
Production and intermediate-term	8,747	5,206	13,953	722,883	736,836	-
Loans to cooperatives	-	-	-	48	48	-
Processing and marketing	-	299	299	40,860	41,159	-
Farm-related business	77	10	87	60,522	60,609	-
Communication	-	-	-	34,218	34,218	-
Energy and water/waste disposal	-	-	-	3,577	3,577	-
Rural residential real estate	656	573	1,229	27,356	28,585	-
Total	<u>\$ 14,229</u>	<u>\$ 12,778</u>	<u>\$ 27,007</u>	<u>\$ 2,182,424</u>	<u>\$ 2,209,431</u>	<u>\$ -</u>

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

Nonperforming assets (including related accrued interest) and related credit quality statistics at period end were as follows:

	March 31, 2014	December 31, 2013
<b>Nonaccrual loans:</b>		
Real estate mortgage	\$ 11,724	\$ 11,542
Production and intermediate-term	12,340	13,628
Processing and marketing	-	299
Farm-related business	2	9
Rural residential real estate	1,204	1,235
Total nonaccrual loans	<u>\$ 25,270</u>	<u>\$ 26,713</u>
<b>Accruing restructured loans:</b>		
Real estate mortgage	\$ 5,965	\$ 6,557
Production and intermediate-term	11,471	11,082
Rural residential real estate	643	389
Total accruing restructured loans	<u>\$ 18,079</u>	<u>\$ 18,028</u>
<b>Accruing loans 90 days or more past due:</b>		
Total accruing loans 90 days or more past due	<u>\$ -</u>	<u>\$ -</u>
Total nonperforming loans	\$ 43,349	\$ 44,741
Other property owned	3,018	841
Total nonperforming assets	<u>\$ 46,367</u>	<u>\$ 45,582</u>
Nonaccrual loans as a percentage of total loans	1.14%	1.22%
Nonperforming assets as a percentage of total loans and other property owned	2.10%	2.07%
Nonperforming assets as a percentage of capital	<u>9.38%</u>	<u>9.32%</u>

The following table presents information related to impaired loans (including accrued interest) at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2014	December 31, 2013
<b>Impaired nonaccrual loans:</b>		
Current as to principal and interest	\$ 6,070	\$ 6,774
Past due	19,200	19,939
Total impaired nonaccrual loans	<u>25,270</u>	<u>26,713</u>
<b>Impaired accrual loans:</b>		
Restructured	18,079	18,028
Total impaired accrual loans	<u>18,079</u>	<u>18,028</u>
Total impaired loans	<u>\$ 43,349</u>	<u>\$ 44,741</u>

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	March 31, 2014			Quarter Ended March 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
<b>Impaired loans with a related allowance for credit losses:</b>					
Real estate mortgage	\$ 5,885	\$ 8,039	\$ 657	\$ 6,055	\$ 58
Production and intermediate-term	4,779	5,826	1,540	4,917	48
Processing and marketing	-	-	-	-	-
Farm-related business	-	-	-	-	-
Rural residential real estate	1,208	1,450	256	1,243	12
Total	<u>\$ 11,872</u>	<u>\$ 15,315</u>	<u>\$ 2,453</u>	<u>\$ 12,215</u>	<u>\$ 118</u>
<b>Impaired loans with no related allowance for credit losses:</b>					
Real estate mortgage	\$ 11,804	\$ 13,222	\$ -	\$ 12,145	\$ 118
Production and intermediate-term	19,032	23,373	-	19,583	189
Processing and marketing	-	2,664	-	-	-
Farm-related business	2	6	-	2	-
Rural residential real estate	639	766	-	657	6
Total	<u>\$ 31,477</u>	<u>\$ 40,031</u>	<u>\$ -</u>	<u>\$ 32,387</u>	<u>\$ 313</u>
<b>Total impaired loans:</b>					
Real estate mortgage	\$ 17,689	\$ 21,261	\$ 657	\$ 18,200	\$ 176
Production and intermediate-term	23,811	29,199	1,540	24,500	237
Processing and marketing	-	2,664	-	-	-
Farm-related business	2	6	-	2	-
Rural residential real estate	1,847	2,216	256	1,900	18
Total	<u>\$ 43,349</u>	<u>\$ 55,346</u>	<u>\$ 2,453</u>	<u>\$ 44,602</u>	<u>\$ 431</u>

	December 31, 2013			Year Ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
<b>Impaired loans with a related allowance for credit losses:</b>					
Real estate mortgage	\$ 4,605	\$ 5,569	\$ 562	\$ 5,328	\$ 266
Production and intermediate-term	5,123	6,064	1,527	5,927	296
Processing and marketing	—	—	—	—	—
Farm-related business	9	11	3	11	1
Rural residential real estate	940	1,185	175	1,087	54
Total	\$ 10,677	\$ 12,829	\$ 2,267	\$ 12,353	\$ 617
<b>Impaired loans with no related allowance for credit losses:</b>					
Real estate mortgage	\$ 13,494	\$ 15,966	\$ —	\$ 15,613	\$ 780
Production and intermediate-term	19,587	24,202	—	22,663	1,131
Processing and marketing	299	4,155	—	346	17
Farm-related business	—	4	—	—	—
Rural residential real estate	684	794	—	793	40
Total	\$ 34,064	\$ 45,121	\$ —	\$ 39,415	\$ 1,968
<b>Total impaired loans:</b>					
Real estate mortgage	\$ 18,099	\$ 21,535	\$ 562	\$ 20,941	\$ 1,046
Production and intermediate-term	24,710	30,266	1,527	28,590	1,427
Processing and marketing	299	4,155	—	346	17
Farm-related business	9	15	3	11	1
Rural residential real estate	1,624	1,979	175	1,880	94
Total	\$ 44,741	\$ 57,950	\$ 2,267	\$ 51,768	\$ 2,585

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
<b>Allowance for credit losses:</b>							
Balance at December 31, 2013	\$ 5,894	\$ 15,797	\$ 1,219	\$ 119	\$ 11	\$ 690	\$ 23,730
Charge-offs	(68)	(6)	—	—	—	—	(74)
Recoveries	17	32	1,465	—	—	3	1,517
Provision for loan losses	491	604	(1,113)	17	2	124	125
Balance at March 31, 2014	\$ 6,334	\$ 16,427	\$ 1,571	\$ 136	\$ 13	\$ 817	\$ 25,298
Balance at December 31, 2012	\$ 4,854	\$ 11,867	\$ 725	\$ 62	\$ 31	\$ 314	\$ 17,853
Charge-offs	(264)	—	—	—	—	—	(264)
Recoveries	39	139	—	—	—	3	181
Provision for loan losses	(1,235)	3,652	(422)	(20)	(25)	50	2,000
Balance at March 31, 2013	\$ 3,394	\$ 15,658	\$ 303	\$ 42	\$ 6	\$ 367	\$ 19,770
Loans individually evaluated for impairment	\$ 657	\$ 1,540	\$ —	\$ —	\$ —	\$ 256	\$ 2,453
Loans collectively evaluated for impairment	5,677	14,887	1,571	136	13	561	22,845
Balance at March 31, 2014	\$ 6,334	\$ 16,427	\$ 1,571	\$ 136	\$ 13	\$ 817	\$ 25,298
Loans individually evaluated for impairment	\$ 562	\$ 1,527	\$ 3	\$ —	\$ —	\$ 175	\$ 2,267
Loans collectively evaluated for impairment	5,332	14,270	1,216	119	11	515	21,463
Balance at December 31, 2013	\$ 5,894	\$ 15,797	\$ 1,219	\$ 119	\$ 11	\$ 690	\$ 23,730
<b>Recorded investment in loans outstanding:</b>							
Loans individually evaluated for impairment	\$ 11,724	\$ 12,340	\$ 2	\$ —	\$ —	\$ 1,204	\$ 25,270
Loans collectively evaluated for impairment	1,299,800	693,597	132,705	38,447	3,510	28,068	2,196,127
Ending balance at March 31, 2014	\$ 1,311,524	\$ 705,937	\$ 132,707	\$ 38,447	\$ 3,510	\$ 29,272	\$ 2,221,397
Loans individually evaluated for impairment	\$ 11,542	\$ 13,628	\$ 308	\$ —	\$ —	\$ 1,235	\$ 26,713
Loans collectively evaluated for impairment	1,292,857	723,208	101,508	34,218	3,577	27,350	2,182,718
Ending balance at December 31, 2013	\$ 1,304,399	\$ 736,836	\$ 101,816	\$ 34,218	\$ 3,577	\$ 28,585	\$ 2,209,431

\*Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about activity that occurred during the periods presented related to TDRs.

Three months ended March 31, 2014				
Pre-modification Outstanding Recorded Investment				
	Interest Concessions	Principal Concessions	Other Concessions	Total
<b>Troubled debt restructurings:</b>				
Real estate mortgage	\$ 196	\$ –	\$ –	\$ 196
Production and intermediate-term	–	1,227	–	1,227
Rural residential real estate	255	–	–	255
Total	\$ 451	\$ 1,227	\$ –	\$ 1,678

Three months ended March 31, 2014					Effects of Modification
Post-modification Outstanding Recorded Investment					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total	
<b>Troubled debt restructurings:</b>					
Real estate mortgage	\$ 920	\$ –	\$ –	\$ 920	\$ –
Production and intermediate-term	–	1,228	–	1,228	–
Rural residential real estate	254	–	–	254	–
Total	\$ 1,174	\$ 1,228	\$ –	\$ 2,402	\$ –

Three months ended March 31, 2013				
Pre-modification Outstanding Recorded Investment				
	Interest Concessions	Principal Concessions	Other Concessions	Total
<b>Troubled debt restructurings:</b>				
Real estate mortgage	\$ –	\$ 351	\$ –	\$ 351
Production and intermediate-term	–	2,449	–	2,449
Rural residential real estate	130	–	–	130
Total	\$ 130	\$ 2,800	\$ –	\$ 2,930

Three months ended March 31, 2013					Effects of Modification
Post-modification Outstanding Recorded Investment					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total	
<b>Troubled debt restructurings:</b>					
Real estate mortgage	\$ –	\$ 341	\$ –	\$ 341	\$ –
Production and intermediate-term	–	2,450	–	2,450	(61)
Rural residential real estate	131	–	–	131	–
Total	\$ 131	\$ 2,791	\$ –	\$ 2,922	\$ (61)

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended March 31,	
	2014	2013
<b>Defaulted troubled debt restructurings:</b>		
Real estate mortgage	\$ –	\$ 1,096
Production and intermediate-term	–	383
Total	\$ –	\$ 1,479

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table.

	Total TDRs		Nonaccrual TDRs	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Real estate mortgage	\$ 8,523	\$ 7,873	\$ 2,558	\$ 1,316
Production and intermediate-term	14,258	13,335	2,787	2,253
Processing and marketing	—	24	—	24
Rural residential real estate	793	546	150	157
Total Loans	\$ 23,574	\$ 21,778	\$ 5,495	\$ 3,750
Additional commitments to lend	\$ 77	\$ 70		

### Note 3 — Debt

#### Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to AgFirst Farm Credit Bank (AgFirst or the Bank) represents borrowings by the Association primarily to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

### Note 4 — Members' Equity

#### Accumulated Other Comprehensive Income

The following tables present activity related to AOCI for the periods presented:

	Changes in Accumulated Other Comprehensive Income by Component	
	<i>(a)</i>	
	Three Months Ended March 31,	
	2014	2013
<b>Employee Benefit Plans:</b>		
Balance at beginning of period	\$ (377)	\$ (601)
Other comprehensive income before reclassifications	—	—
Amounts reclassified from AOCI	16	24
Net current period other comprehensive income	16	24
Balance at end of period	\$ (361)	\$ (577)

	Reclassifications Out of Accumulated Other Comprehensive Income <i>(b)</i>		
	Three Months Ended March 31,		
	2014	2013	Income Statement Line Item
<b>Defined Benefit Pension Plans:</b>			
Periodic pension costs <i>(b)</i>	\$ (16)	\$ (24)	See footnote 6.
Net amounts reclassified	\$ (16)	\$ (24)	

*(a)* Amounts in parentheses indicate debits to AOCI.

*(b)* Amounts in parentheses indicate debits to profit/loss.

### Note 5 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting

entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 9.33 percent of the issued



stock of the Bank as of March 31, 2014 net of any reciprocal investment. As of that date, the Bank's assets totaled \$27.6 billion and shareholders' equity totaled \$2.2 billion. The Bank's earnings were \$88 million for the first three months of 2014. In addition, the Association has an investment of \$1,022 related to other Farm Credit institutions.

The classifications within the fair value hierarchy are as follows:

### Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

### Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets or liabilities measured at fair value.

### Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

	Standby Letters of Credit	
	For the three months ended March 31,	
	2014	2013
Balance at beginning of period	\$ 111	\$ 162
Issuances	—	—
Settlements	(36)	(18)
Balance at end of period	\$ 75	\$ 144

## SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

### Other Property Owned/Impaired Loans

Other property owned and impaired loans are valued using appraisals, market comparable sales, replacement costs and income and expense (cash flow) techniques. Certain unobservable inputs are used within these techniques to determine the level 3 fair value of these properties. The significant unobservable inputs are primarily sensitive only to industry, geographic and overall economic conditions, and/or specific attributes of each property.

### Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements**

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	\$ 44,267	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*

\* Ranges for this type of input are not useful because each collateral property is unique.

**Information about Other Financial Instrument Fair Value Measurements**

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

The following tables present the carrying amounts and fair values of assets and liabilities that are measured at fair value on a recurring and nonrecurring basis, as well as those financial instruments not measured at fair value, for each of the hierarchy levels at the period ended:

**At or for the Three Months Ended March 31, 2014**

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
<b>Recurring Measurements</b>						
<b>Assets:</b>						
Assets held in Trust funds	\$ 1,405	\$ 1,405	\$ -	\$ -	\$ 1,405	
Recurring Assets	\$ 1,405	\$ 1,405	\$ -	\$ -	\$ 1,405	
<b>Liabilities:</b>						
Standby letters of credit	\$ 75	\$ -	\$ -	\$ 75	\$ 75	
Recurring Liabilities	\$ 75	\$ -	\$ -	\$ 75	\$ 75	
<b>Nonrecurring Measurements</b>						
<b>Assets:</b>						
Impaired loans	\$ 40,896	\$ -	\$ -	\$ 40,896	\$ 40,896	\$ 1,256
Other property owned	3,018	-	-	3,371	3,371	52
Nonrecurring Assets	\$ 43,914	\$ -	\$ -	\$ 44,267	\$ 44,267	\$ 1,308
<b>Other Financial Instruments</b>						
<b>Assets:</b>						
Cash	\$ 2,559	\$ 2,559	\$ -	\$ -	\$ 2,559	
Loans	2,142,907	-	-	2,119,872	2,119,872	
Other Financial Assets	\$ 2,145,466	\$ 2,559	\$ -	\$ 2,119,872	\$ 2,122,431	
<b>Liabilities:</b>						
Notes payable to AgFirst Farm Credit Bank	\$ 1,712,613	\$ -	\$ -	\$ 1,694,407	\$ 1,694,407	
Other Financial Liabilities	\$ 1,712,613	\$ -	\$ -	\$ 1,694,407	\$ 1,694,407	

At or for the Year Ended December 31, 2013

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
<b>Recurring Measurements</b>						
<b>Assets:</b>						
Assets held in Trust funds	\$ 1,375	\$ 1,375	\$ –	\$ –	\$ 1,375	
Recurring Assets	\$ 1,375	\$ 1,375	\$ –	\$ –	\$ 1,375	
<b>Liabilities:</b>						
Standby letters of credit	\$ 111	\$ –	\$ –	\$ 111	\$ 111	
Recurring Liabilities	\$ 111	\$ –	\$ –	\$ 111	\$ 111	
<b>Nonrecurring Measurements</b>						
<b>Assets:</b>						
Impaired loans	\$ 42,474	\$ –	\$ –	\$ 42,474	\$ 42,474	\$ (46)
Other property owned	841	–	–	936	936	(609)
Nonrecurring Assets	\$ 43,315	\$ –	\$ –	\$ 43,410	\$ 43,410	\$ (655)
<b>Other Financial Instruments</b>						
<b>Assets:</b>						
Cash	\$ 2,540	\$ 2,540	\$ –	\$ –	\$ 2,540	
Loans	2,131,458	–	–	2,108,809	2,108,809	
Other Financial Assets	\$ 2,133,998	\$ 2,540	\$ –	\$ 2,108,809	\$ 2,111,349	
<b>Liabilities:</b>						
Notes payable to AgFirst Farm Credit Bank	\$ 1,724,627	\$ –	\$ –	\$ 1,699,411	\$ 1,699,411	
Other Financial Liabilities	\$ 1,724,627	\$ –	\$ –	\$ 1,699,411	\$ 1,699,411	

**Note 6 — Employee Benefit Plans**

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the three months ended March 31,	
	2014	2013
Pension	\$ 1,502	\$ 1,509
401(k)	144	135
Other postretirement benefits	237	228
Total	\$ 1,883	\$ 1,872

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 3/31/14	Projected Contributions For Remainder of 2014	Projected Total Contributions 2014
Pension	\$ 3	\$ 4,549	\$ 4,552
Other postretirement benefits	127	404	531
Total	\$ 130	\$ 4,953	\$ 5,083

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2014.

Further details regarding employee benefit plans are contained in the 2013 Annual Report to Shareholders.

**Note 7 — Commitments and Contingent Liabilities**

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

**Note 8 — Business Combination**

In February 2014, the Board of Directors of the Association approved a Letter of Intent to proceed with a process which could lead to the consolidation of the Association with AgChoice Farm Credit, ACA, into a newly-formed ACA effective no later than January 1, 2015. If the process outlined in the Letter of Intent results in a Plan of Merger (Merger) approved by the Boards of Directors of both Associations, the Merger is subject to the approval of AgFirst Farm Credit Bank and the Farm Credit Administration prior to submission to shareholders of both Associations for their review and determination.

**Note 9 — Subsequent Events**

The Association has evaluated subsequent events and has determined there are none requiring disclosure through May 9, 2014, which is the date the financial statements were issued.