Farm Credit of Florida, ACA

FIRST QUARTER 2014

TABLE OF CONTENTS

Report on Internal Control Over Financial Reporting 2

Management's Discussion and Analysis of

Financial Condition and Results of Operations 3

Consolidated Financial Statements

Consolidated Balance Sheets 6

Consolidated Statements of Operations 7

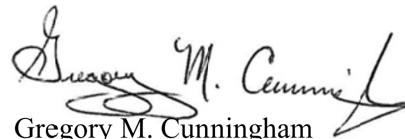
Consolidated Statements of Comprehensive Income (Loss) 8

Consolidated Statements of Changes in Members' Equity 9

Notes to the Consolidated Financial Statements 10

CERTIFICATION

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



Gregory M. Cunningham
Chief Executive Officer

Laura Craker
Chief Financial Officer

Sherwood J. Johnson
Chairman of the Board

May 9, 2014

Farm Credit of Florida, ACA

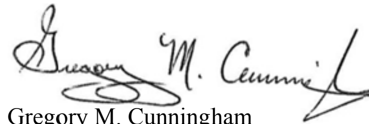
Report on Internal Control Over Financial Reporting

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 Consolidate Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

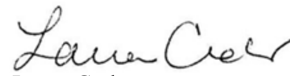
Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions 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.



Gregory M. Cunningham
Chief Executive Officer



Laura Craker
Chief Financial Officer

May 9, 2014

Farm Credit of Florida, ACA

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 Farm Credit of Florida, ACA, (Association) for the period ended March 31, 2014. These comments 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.

Effective January 1, 2011, Farm Credit of North Florida and Farm Credit of Southwest Florida merged into Farm Credit of South Florida. The merged associations operate under the name of Farm Credit of Florida. The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either of the associations on a stand-alone basis. The merger was accounted for under the acquisition method of accounting.

Additional information regarding the merger and the related impact to the Association's financial condition is contained in Note 9 of the Notes to the Consolidated Financial Statements.

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 range of agricultural commodities in the north and southern regions of Florida. The commodities include cattle, citrus, dairy, field crops, nurseries, sugar, timber, tropical fruits and vegetables. All commodity groups identified within the portfolio have experienced generally favorable operating results with the exception of the horticultural or nursery segment which continues to be stressed. Farm size varies and many borrowers have diversified farming operations. This factor, along with numerous opportunities for non-farm income in the territory, reduced the level of dependency on a single agricultural commodity.

Land values in the north region appear to have stabilized over the last 12 months. Land values in the south region show stability with value increase in more urban areas. There have been no significant weather events in the territory that have adversely impacted borrower operations over the past 12 months.

The gross loan volume of the Association as of March 31, 2014, was $830,269, an increase of $1,118 as compared to $829,151 at December 31, 2013. Net loans outstanding at March 31, 2014, were $824,222 as compared to $821,743 at December 31, 2013, an increase of $2,479 or 0.30 percent. Net loans accounted for 92.97 percent of total assets at March 31, 2014, as compared to 91.09 percent of total assets at December 31, 2013. The increase in both gross and net loan volume during the period is primarily attributed to an increased customer and market focus. Loan growth occurred across all market segments.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has improved compared to year end 2013 as a result of the movement of loans from Substandard to OAEM and the liquidation of loans in process of collection. Acceptable and OAEM credit quality as a percentage of the total loan portfolio was 90.53% as of March 31, 2014 compared to 88.54% at December 31, 2013. During the three months, nonaccrual loans decreased to $54,027 from the $62,115 balance at December 31, 2013. The nonaccrual loan decline is primarily attributed to liquidation of loans in process of collection. The balance of Other Property Owned at March 31, 2014 was $6,792 a decrease of $424 from the $7,216 balance at December 31, 2013. Sales of properties outpaced acquisitions during the period resulting in this decrease.

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 March 31, 2014, was $6,047 compared to $7,408 at December 31, 2013. This decrease is the result of recoveries of $1,076 recorded during the period offset by a provision for loan loss reversal of $2,277 and $160 in charge-offs recorded on loans transferred to nonaccrual or other property owned. Management considers the current level of allowance adequate to cover additional possible losses. The ratio of the allowance for loan losses to gross loans at March 31, 2014 was 0.73 percent.

RESULTS OF OPERATIONS

As a result of the merger on January 1, 2011, $551.5 million in non-impaired loans were purchased at a combined discount of approximately $30.3 million. In accordance with accounting guidance, this discount is to be accreted into interest income over the remaining life of each individual loan. For loans that are paid off early, any remaining discount would be accreted into income at time of pay off. The discount amount accreted into interest income for the three months ended March 31, 2014, was $457.

For the three months ended March 31, 2014

The Association recorded net income for the three months ended March 31, 2014 of $5,301 as compared to $2,101 for the same period in 2013. This $3,200 increase is primarily attributed to a reduction in provision for loan losses resulting from significant recoveries received of amounts previously charged-off along with lower level of reserves required due to improvement in the Association's risk profile driven by substantial reduction in nonaccrual loans during the period. The improved risk profile during the quarter ended March 31, 2014 resulted in recording a reversal of provision for loan losses of $2,277 for the quarter.

Net interest income before provision for loan losses was $6,337 for the three months ended March 31, 2014 as compared to $6,300 during the same period in 2013. The change in net interest income represents a 0.59 percent increase when compared to the same period last year and is attributed to the increase in loan volume during the past 12 months.

Noninterest income for the three months ended March 31, 2014, totaled $2,862 as compared to $3,145 for the same period of 2013, a decrease of $283 or 9.00 percent. This decrease is attributed primarily to decreases in patronage earnings of other Farm Credit institutions with which we participate loans of $222 and decreases in loan fees of $146.

Noninterest expense for the three months ended March 31, 2014, decreased $344 or 5.28 percent compared to the same period of 2013. The primary reason for the decrease in noninterest expense is attributed to $402 decrease in salaries and employee benefits.

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. These funds are advanced by the Bank 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 March 31, 2014, was $651,571 as compared to $673,175 at December 31, 2013. The decrease during the period of $21,604 is primarily attributed to an increase in members' equity resulting from net income for the quarter along with receipt of 2013 patronage dividends due from AgFirst Farm Credit Bank.

CAPITAL RESOURCES

Total members' equity at March 31, 2014, increased to $208,787 from the December 31, 2013 total of $203,759. The increase is primarily attributed to the net income during the period.

Total capital stock and participation certificates were $2,520 on March 31, 2014, compared to $2,793 on December 31, 2013. This decrease is attributed to the retirement of protected stock and participation certificates on loans liquidated in the normal course of business.

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 March 31, 2014, the Association's total surplus ratio and core surplus ratio were 19.88 percent and 19.88 percent, respectively, and the permanent capital ratio was 20.71 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.

REGULATORY MATTERS

As previously disclosed, on June 15, 2012 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The written supervisory agreement requires the Association to take corrective actions and other actions with respect to certain areas of its operations, including board governance, director fiduciary duties and standards of conduct, board consultant functions, staffing and succession planning, asset quality, collateral risk, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, and business planning and reporting. In addition, the Association is operating under Supervisory Conditions of Merger and must maintain compliance with all requirements and conditions.

Conditions and events that led to the need for this agreement include portfolio credit quality deterioration, inadequate management succession and human capital planning, perceived weaknesses in board governance, and reduced earnings.

On May 20, 2013, FCA communicated in a letter to the Board that Board and management actions resulted in significant improvements in direction and control, particularly in the areas of human capital and succession planning, strategic planning, and

board policy direction. On April 16, 2014, FCA communicated again in a letter to the Board that Board and management continued to strengthen direction and controls over operations specifically in the areas of corporate governance, financial condition and performance as well as in asset quality. The Association has achieved compliance in the areas of standards of conduct, board consultant functions, staffing study, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, management reporting and disclosure to shareholders.

As of May 9, 2014, the Association has taken action to correct the weaknesses identified in the supervisory agreement.

As required by the supervisory agreement, the Board will continue engaging an independent consultant to provide advice in understanding and fulfilling its fiduciary responsibilities and to perform other advisory functions as specified in the agreement. Both the Board and Senior Management are committed to continuing the administration of the Association in a sound manner.

The Association remained under written supervisory agreement as of the date of this report.

Please refer to Note 9, *Business Combination*, in the Notes to the Consolidated Financial Statements for additional information on the Financial Assistance Agreement with the Bank.

OTHER MATTERS

On May 8, 2014, the Association paid $550,000 to the former CEO in satisfaction of the terms of a retention agreement.

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.

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*. Copies of the Association's annual and quarterly reports are also available upon request, free of charge, by calling (561)-965-9001, or writing Laura Craker, CFO, Farm Credit of Florida, ACA, P. O. Box 213069, West Palm Beach, FL 33421, or accessing the website, *www.farmcreditfl.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.

Farm Credit of Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2014 *(unaudited)*	December 31, 2013 *(audited)*
Assets		
Cash	$ 68	$ 75
Investment securities:		
Held to maturity (fair value of $20,132 and $21,156, respectively)	19,530	20,769
Loans	830,269	829,151
Allowance for loan losses	(6,047)	(7,408)
Net loans	824,222	821,743
Loans held for sale	186	119
Other investments	140	2,887
Accrued interest receivable	4,075	3,149
Investments in other Farm Credit institutions	14,247	14,321
Premises and equipment, net	7,009	7,116
Other property owned	6,792	7,216
Accounts receivable	2,017	15,718
Other assets	8,213	8,964
Total assets	$ 886,499	$ 902,077
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 651,571	$ 673,175
Accrued interest payable	1,173	1,329
Patronage refunds payable	305	5,203
Accounts payable	1,263	2,725
Advanced conditional payments	5,501	5,350
Other liabilities	17,899	10,536
Total liabilities	677,712	698,318
Commitments and contingencies		
Members' Equity		
Protected borrower stock	742	765
Capital stock and participation certificates	1,778	2,028
Additional paid-in-capital	7,873	7,873
Retained earnings		
Allocated	103,802	102,421
Unallocated	94,748	90,829
Accumulated other comprehensive income (loss)	(156)	(157)
Total members' equity	208,787	203,759
Total liabilities and members' equity	$ 886,499	$ 902,077

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

Farm Credit of Florida, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2014	2013
Interest Income		
Loans	$ 9,625	$ 9,697
Investment securities	161	269
Total interest income	9,786	9,966
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	3,449	3,666
Net interest income	6,337	6,300
Provision for (reversal of allowance for) loan losses	(2,277)	825
Net interest income after provision for (reversal of allowance for) loan losses	8,614	5,475
Noninterest Income		
Loan fees	129	275
Fees for financially related services	353	419
Patronage refunds from other Farm Credit institutions	1,741	1,963
Gains (losses) on sales of rural home loans, net	8	6
Gains (losses) on sales of premises and equipment, net	15	1
Gains (losses) on other transactions	106	257
Other noninterest income	510	224
Total noninterest income	2,862	3,145
Noninterest Expense		
Salaries and employee benefits	4,410	4,812
Occupancy and equipment	303	328
Insurance Fund premiums	196	173
(Gains) losses on other property owned, net	19	92
Other operating expenses	1,247	1,114
Total noninterest expense	6,175	6,519
Net income	$ 5,301	$ 2,101

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

Farm Credit of Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2014	2013
Net income	$ 5,301	$ 2,101
Other comprehensive income net of tax		
Employee benefit plans adjustments	1	2
Comprehensive income	$ 5,302	$ 2,103

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

Farm Credit of Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2012	$ 946	$ 2,159	$ 7,873	$ 97,197	$ 79,422	$ (208)	$187,389
Comprehensive income					2,101	2	2,103
Protected borrower stock retired	(13)						(13)
Capital stock/participation certificates issued/(retired), net		12					12
Retained earnings retired				(1,342)			(1,342)
Balance at March 31, 2013	$ 933	$ 2,171	$ 7,873	$ 95,855	$ 81,523	$ (206)	$188,149
Balance at December 31, 2013	$ 765	$ 2,028	$ 7,873	$ 102,421	$ 90,829	$ (157)	$203,759
Comprehensive income					5,301	1	5,302
Protected borrower stock issued/(retired), net	(23)						(23)
Capital stock/participation certificates issued/(retired), net		(250)					(250)
Patronage distribution adjustment				1,381	(1,382)		(1)
Balance at March 31, 2014	$ 742	$ 1,778	$ 7,873	$ 103,802	$ 94,748	$ (156)	$208,787

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

Farm Credit of Florida, 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 Farm Credit of Florida, 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	$ 520,043	$ 526,480
Production and intermediate-term	177,254	194,303
Loans to cooperatives	9,286	2,026
Processing and marketing	79,525	72,868
Farm-related business	18,490	11,709
Communication	18,233	15,042
Energy and water/waste disposal	3,510	3,005
Rural residential real estate	3,928	3,718
Total Loans	$ 830,269	$ 829,151

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	$ 1,578	$ 74,962	$ –	$ –	$ 5,547	$ 1,390	$ 7,125	$ 76,352
Production and intermediate-term	32,041	84,171	10,339	4,671	59,742	–	102,122	88,842
Loans to cooperatives	9,282	–	7	–	–	–	9,289	–
Processing and marketing	80,163	2,631	249	2,268	–	–	80,412	4,899
Farm-related business	11,948	–	658	1,800	268	–	12,874	1,800
Communication	18,259	–	–	–	–	–	18,259	–
Energy and waste/water disposal	3,511	–	–	–	–	–	3,511	–
Total	$ 156,782	$ 161,764	$ 11,253	$ 8,739	$ 65,557	$ 1,390	$ 233,592	$ 171,893

	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	$ 2,197	$ 76,007	$ –	$ –	$ 5,596	$ 1,806	$ 7,793	$ 77,813
Production and intermediate-term	33,434	85,253	10,286	2,682	60,160	–	103,880	87,935
Loans to cooperatives	1,995	–	32	–	–	–	2,027	–
Processing and marketing	70,666	1,743	138	1,503	–	–	70,804	3,246
Farm-related business	7,160	–	733	–	271	–	8,164	–
Communication	15,065	–	–	–	–	–	15,065	–
Energy and water/waste disposal	3,006	–	–	–	–	–	3,006	–
Total	$ 133,523	$ 163,003	$ 11,189	$ 4,185	$ 66,027	$ 1,806	$ 210,739	$ 168,994

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	$ 55,495	$ 186,268	$ 278,280	$ 520,043
Production and intermediate term	54,013	93,579	29,662	177,254
Loans to cooperatives	7	9,279	–	9,286
Processing and marketing	3,374	33,676	42,475	79,525
Farm-related business	3,751	9,602	5,137	18,490
Communication	–	8,433	9,800	18,233
Energy and water/waste disposal	–	3,510	–	3,510
Rural residential real estate	4	660	3,264	3,928
Total Loans	$ 116,644	$ 345,007	$ 368,618	$ 830,269
Percentage	14.05%	41.55%	44.40%	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
Real estate mortgage:		
Acceptable	83.58%	79.72%
OAEM	5.55	7.77
Substandard/doubtful/loss	10.87	12.51
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	85.34%	81.93%
OAEM	2.46	3.31
Substandard/doubtful/loss	12.20	14.76
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	99.92%	98.39%
OAEM	0.08	1.61
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	91.31%	92.35%
OAEM	8.69	7.65
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2014	December 31, 2013
Farm-related business:		
Acceptable	99.58%	98.54%
OAEM	0.42	1.19
Substandard/doubtful/loss	–	0.27
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00	100.00%
Rural residential real estate:		
Acceptable	86.48%	85.05%
OAEM	2.45	4.30
Substandard/doubtful/loss	11.07	10.65
	100.00%	100.00%
Total Loans:		
Acceptable	85.67%	82.12%
OAEM	4.86	6.42
Substandard/doubtful/loss	9.47	11.46
	100.00%	100.00%

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	$ 6,696	$ 11,840	$ 18,536	$ 504,389	$ 522,925	$ –
Production and intermediate-term	1,622	3,969	5,591	172,464	178,055	–
Loans to cooperatives	–	–	–	9,296	9,296	–
Processing and marketing	–	–	–	79,689	79,689	–
Farm-related business	–	–	–	18,519	18,519	–
Communication	–	–	–	18,235	18,235	–
Energy and water/waste disposal	–	–	–	3,511	3,511	–
Rural residential real estate	27	–	27	3,919	3,946	–
Total	$ 8,345	$ 15,809	$ 24,154	$ 810,022	$ 834,176	$ –

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	$ 10,436	$ 17,912	$ 28,348	$ 500,311	$ 528,659	$ –
Production and intermediate-term	1,802	6,843	8,645	186,340	194,985	–
Loans to cooperatives	–	–	–	2,030	2,030	–
Processing and marketing	–	–	–	72,944	72,944	–
Farm-related business	181	–	181	11,562	11,743	–
Communication	–	–	–	15,043	15,043	–
Energy and water/waste disposal	–	–	–	3,006	3,006	–
Rural residential real estate	120	62	182	3,550	3,732	–
Total	$ 12,539	$ 24,817	$ 37,356	$ 794,786	$ 832,142	$ –

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
Nonaccrual loans:		
Real estate mortgage	$ 35,989	$ 40,976
Production and intermediate-term	17,834	20,919
Processing and marketing	–	–
Farm-related business	–	–
Rural residential real estate	204	220
Total nonaccrual loans	$ 54,027	$ 62,115
Accruing restructured loans:		
Real estate mortgage	$ 2,636	$ 2,853
Production and intermediate-term	1,740	2,134
Total accruing restructured loans	$ 4,376	$ 4,987
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 58,403	$ 67,102
Other property owned	6,792	7,216
Total nonperforming assets	$ 65,195	$ 74,318
Nonaccrual loans as a percentage of total loans	6.51%	7.49%
Nonperforming assets as a percentage of total loans and other property owned	7.79%	8.89%
Nonperforming assets as a percentage of capital	31.23%	36.57%

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
Impaired nonaccrual loans:		
Current as to principal and interest	$ 35,179	$ 32,480
Past due	18,848	29,635
Total impaired nonaccrual loans	54,027	62,115
Impaired accrual loans:		
Restructured	4,376	4,987
90 days or more past due	–	–
Total impaired accrual loans	4,376	4,987
Total impaired loans	$ 58,403	$ 67,102

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
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 4,038	$ 6,435	$ 327	$ 4,382	$ 46
Production and intermediate-term	1,559	5,502	162	1,692	18
Rural residential real estate	–	–	–	–	–
Total	$ 5,597	$ 11,937	$ 489	$ 6,074	$ 64
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 34,587	$ 62,517	$ –	$ 37,532	$ 399
Production and intermediate-term	18,015	31,415	–	19,549	207
Rural residential real estate	204	441	–	222	2
Total	$ 52,806	$ 94,373	$ –	$ 57,303	$ 608
Total impaired loans:					
Real estate mortgage	$ 38,625	$ 68,952	$ 327	$ 41,914	$ 445
Production and intermediate-term	19,574	36,917	162	21,241	225
Rural residential real estate	204	441	–	222	2
Total	$ 58,403	$ 106,310	$ 489	$ 63,377	$ 672

	December 31, 2013			Year Ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 5,765	$ 8,198	$ 785	$ 7,391	$ 120
Production and intermediate-term	3,358	7,338	233	4,306	70
Rural residential real estate	–	–	–	–	–
Total	$ 9,123	$ 15,536	$ 1,018	$ 11,697	$ 190
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 38,064	$ 67,256	$ –	$ 48,805	$ 793
Production and intermediate-term	19,695	33,995	–	25,251	410
Rural residential real estate	220	447	–	283	5
Total	$ 57,979	$ 101,698	$ –	$ 74,339	$ 1,208
Total impaired loans:					
Real estate mortgage	$ 43,829	$ 75,454	$ 785	$ 56,196	$ 913
Production and intermediate-term	23,053	41,333	233	29,557	480
Rural residential real estate	220	447	–	283	5
Total	$ 67,102	$ 117,234	$ 1,018	$ 86,036	$ 1,398

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
Allowance for credit losses:							
Balance at December 31, 2013	$ 5,545	$ 1,371	$ 439	$ 22	$ 4	$ 27	$ 7,408
Charge-offs	(122)	(38)	–	–	–	–	(160)
Recoveries	839	235	–	–	–	2	1,076
Provision for loan losses	(1,851)	(359)	(51)	(10)	(4)	(2)	(2,277)
Balance at March 31, 2014	$ 4,411	$ 1,209	$ 388	$ 12	$ –	$ 27	$ 6,047
Balance at December 31, 2012	$ 8,908	$ 1,385	$ 1,373	$ –	$ –	$ 100	$ 11,766
Charge-offs	(1,706)	(190)	–	–	–	–	(1,896)
Recoveries	160	712	–	–	–	–	872
Provision for loan losses	1,444	(540)	(83)	–	–	4	825
Balance at March 31, 2013	$ 8,806	$ 1,367	$ 1,290	$ –	$ –	$ 104	$ 11,567
Loans individually evaluated for impairment	$ 319	$ 162	$ –	$ –	$ –	$ –	$ 481
Loans collectively evaluated for impairment	4,084	1,047	388	12	–	27	5,558
Loans acquired with deteriorated credit quality	8	–	–	–	–	–	8
Balance at March 31, 2014	$ 4,411	$ 1,209	$ 388	$ 12	$ –	$ 27	$ 6,047
Loans individually evaluated for impairment	$ 597	$ 233	$ –	$ –	$ –	$ –	$ 830
Loans collectively evaluated for impairment	4,760	1,138	439	22	4	27	6,390
Loans acquired with deteriorated credit quality	188	–	–	–	–	–	188
Balance at December 31, 2013	$ 5,545	$ 1,371	$ 439	$ 22	$ 4	$ 27	$ 7,408
Recorded investment in loans outstanding:							
Loans individually evaluated for impairment	$ 32,274	$ 15,058	$ –	$ –	$ –	$ 111	$ 47,443
Loans collectively evaluated for impairment	486,936	160,221	107,504	18,235	3,511	3,742	780,149
Loans acquired with deteriorated credit quality	3,715	2,776	–	–	–	93	6,584
Ending balance at March 31, 2014	$ 522,925	$ 178,055	$ 107,504	$ 18,235	$ 3,511	$ 3,946	$ 834,176
Loans individually evaluated for impairment	$ 33,805	$ 18,011	$ –	$ –	$ –	$ 125	$ 51,941
Loans collectively evaluated for impairment	487,683	174,066	86,717	15,043	3,006	3,511	770,026
Loans acquired with deteriorated credit quality	7,171	2,908	–	–	–	96	10,175
Ending balance at December 31, 2013	$ 528,659	$ 194,985	$ 86,717	$ 15,043	$ 3,006	$ 3,732	$ 832,142

**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. The tables do not include purchased credit impaired loans.

	Three months ended March 31, 2014			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 125	$ –	$ 125
Total	$ –	$ 125	$ –	$ 125

Three months ended March 31, 2014					
	Post-modification Outstanding Recorded Investment				Effects of Modification
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Troubled debt restructurings:					
Real estate mortgage	$ –	$ 125	$ –	$ 125	$ –
Total	$ –	$ 125	$ –	$ 125	$ –

Three months ended March 31, 2013				
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ 331	$ 581	$ –	$ 912
Production and intermediate-term	–	1,221	271	1,492
Total	$ 331	$ 1,802	$ 271	$ 2,404

Three months ended March 31, 2013					
	Post-modification Outstanding Recorded Investment				Effects of Modification
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Troubled debt restructurings:					
Real estate mortgage	$ 332	$ 421	$ –	$ 753	$ –
Production and intermediate-term	–	1,221	271	1,492	–
Total	$ 332	$ 1,642	$ 271	$ 2,245	$ –

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	Three Months Ended March 31, 2013
Defaulted troubled debt restructurings:		
Real estate mortgage	$ 130	$ 1,890
Production and intermediate-term	–	1,457
Total	$ 130	$ 3,347

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. 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	$ 20,634	$ 23,416	$ 17,998	$ 20,563
Production and intermediate-term	11,548	12,250	9,808	10,116
Processing and marketing	–	–	–	–
Farm-related business	–	–	–	–
Rural residential real estate	3	6	3	6
Total Loans	$ 32,185	$ 35,672	$ 27,809	$ 30,685
Additional commitments to lend	$ –	$ –		

Purchased Credit Impaired (PCI) Loans

The Association acquires loans individually and in groups or portfolios. For certain acquired loans that experienced deterioration in credit quality between origination and acquisition, the amount paid for the loan will reflect this fact. At acquisition, each loan is reviewed to determine whether there is evidence of deterioration of credit quality since origination and if it is probable that the Association would be unable to collect all amounts due according to the loan's contractual terms. If both conditions exist, the purchaser determines whether each such loan is to be accounted for individually or whether such loans would be assembled into pools of loans based on common risk characteristics (credit score, loan type, and date of origination, for example). Considerations of value should include expected prepayments, the estimated amount and timing of undiscounted

expected principal, interest, and other cash flows (expected at acquisition) for each loan and the subsequently aggregated pool of loans. Any excess of the loan's or pool's scheduled contractual principal and contractual interest payments over all of the cash flows expected at acquisition is an amount that should not be accreted to income (nonaccretable difference). The remaining amount, representing the excess of the loan's cash flows expected to be collected over the amount paid, is accreted into interest income over the remaining life of the loan or pool (accretable yield).

Accounting guidance requires that the purchaser continue to estimate cash flows expected to be collected over the life of the loan or pool. It then evaluates at the balance sheet date whether the present value of its loans, determined using the effective interest rate, has decreased and if so, recognizes a loss. For loans or pools that are not accounted for as debt securities, the present value of any subsequent increase in the loan's or pool's actual cash flows or cash flows expected to be collected is used first to reverse any existing valuation allowance for that loan or pool. For any remaining increases in cash flows expected to be collected, or for loans or pools accounted for as debt securities, a purchaser adjusts the amount of accretable yield recognized on a prospective basis over the loan's or pool's remaining life.

Valuation allowances for all PCI loans reflect only those losses incurred after acquisition, that is, the present value of cash flows expected at acquisition that are not expected to be collected. Valuation allowances are established only subsequent to acquisition of the loans.

The carrying amounts of loans acquired in a 2011 business combination included in the balance sheet amounts of loans receivable at period end were as follows:

	March 31, 2014	
Real estate mortgage	$	3,715
Production and intermediate-term		2,776
Rural residential real estate		93
Total Loans	$	6,584

At March 31, 2014, the allowance for loan losses related to these loans was $8 compared with $188 at December 31, 2013. During the three month periods ended March 31, 2014 and 2013, provision for loan losses on these loans was an expense reversal of $164 and an expense reversal of $612, respectively. See above for a summary of changes in the total allowance for loan losses for the period ended March 31, 2014. There were no loans acquired during 2014 or 2013 for which it was probable at acquisition that all contractually required payments would not be collected.

Certain of the loans acquired by the Association in the 2011 business combination that were within the scope of PCI loan guidance are accounted for using a cash basis method of income recognition because the Association cannot reasonably estimate cash flows expected to be collected. Substantially all of the loans acquired were real estate collateral dependent loans. The real estate market in Florida was extremely unstable, making the estimation of the amount and timing of a sale of loan collateral in essentially the same condition as received upon foreclosure indeterminate. As such, the Association did not have the information necessary to reasonably estimate cash flows expected to be collected to compute a yield. Management determined a nonaccrual classification would be the most appropriate and that no income would be recognized on these loans as is allowed under accounting guidance. These amounts are included in the carrying values, net of allowance, described above.

Note 3 — Investment Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

The Association's investments also consist of Rural America Bonds, which are private placement securities purchased under the Mission Related Investment program approved by the FCA. In its Conditions of Approval for the program, the FCA considers a Rural America Bond ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. FCA approval has been obtained to allow the Association to continue to hold two Rural America Bonds whose credit quality has deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	March 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission Related Investments	$ 6,644	$ 582	$ (62)	$ 7,164	5.86%
Asset-backed securities	12,886	198	(116)	12,968	0.19
Total	$ 19,530	$ 780	$ (178)	$ 20,132	2.12%

	December 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission Related Investments	$ 6,653	$ 360	$ (86)	$ 6,927	5,86%
Asset-backed securities	14,116	236	(123)	14,229	0.22
Total	$ 20,769	$ 596	$ (209)	$ 21,156	2.02%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	March 31, 2014		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ 414	$ 405	-4.83%
After one year through five years	6,666	6,551	0.12
After five years through ten years	3,638	3,726	1.26
After ten years	8,812	9,450	4.32
Total	$ 19,530	$ 20,132	2.12%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	March 31, 2014			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission Related Investments	$ –	$ –	$ 1,005	$ (62)
Asset-backed securities	1,982	(11)	4,261	(105)
Total	$ 1,982	$ (11)	$ 5,266	$ (167)

	December 31, 2013			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission Related Investments	$ 2,849	$ (47)	$ 83	$ (39)
Asset-backed securities	1,036	(6)	5,068	(117)
Total	$ 3,885	$ (53)	$ 5,151	$ (156)

FASB guidance contemplates numerous factors in determining whether an impairment is other-than-temporary. These factors include: (1) whether or not management intends to sell the security, (2) whether it is more likely that not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

A substantial portion of these investments were in U. S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

Note 4 — 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 and 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 5 — 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 *(a)*	
	Three Months Ended March 31,	
	2014	2013
Employee Benefit Plans:		
Balance at beginning of period	$ (157)	$ (208)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	1	2
Net current period other comprehensive income	1	2
Balance at end of period	$ (156)	$ (206)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	Three Months Ended March 31,		
	2014	2013	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	$ (1)	$ (2)	See footnote 7.
Net amounts reclassified	$ (1)	$ (2)	

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

Note 6 — 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 4.02 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 2013. In addition, the Association has an investment of $3,960 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.

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	$ 145	$ 60
Issuances	–	–
Settlements	(10)	(8)
Balance at end of period	$ 135	$ 52

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.

Investment Securities

The fair values of predominantly all Level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities. These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

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	$ 65,385	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
Other investments – RBIC	$ 140	Third party evaluation	Income, expense, capital	Not applicable

** 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
Mission Related investments	Discounted cash flow	Risk adjusted discount rate
Asset-backed securities	Vendor priced	**
Other investments	Discounted cash flow	Rates Risk adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

*** The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

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
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 835	$ 835	$ –	$ –	$ 835	
Recurring Assets	$ 835	$ 835	$ –	$ –	$ 835	
Liabilities:						
Standby letters of credit	$ 135	$ –	$ –	$ 135	$ 135	
Recurring Liabilities	$ 135	$ –	$ –	$ 135	$ 135	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 57,914	$ –	$ –	$ 57,914	$ 57,914	$ 1,445
Other property owned	6,792	–	$ –	7,471	7,471	28
Other investments	140	–	–	140	140	–
Nonrecurring Assets	$ 64,846	$ –	$ –	$ 65,525	$ 65,525	$ 1,473
Other Financial Instruments						
Assets:						
Cash	$ 68	$ 68	$ –	$	$ 68	
Mission Related Investments	6,644	–	–	7,164	7,164	
Asset-backed securities	12,886	–	12,968		12,968	
Loans	766,494	–	–	770,110	770,110	
Other Financial Assets	$ 786,092	$ 68	$ 12,968	$ 777,274	$ 790,310	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 651,571	$ –	$ –	$ 644,841	$ 644,841	
Other Financial Liabilities	$ 651,571	$ –	$ –	$ 644,841	$ 644,841	

	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
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 965	$ 965	$ –	$ –	$ 965	
Recurring Assets	$ 965	$ 965	$ –	$ –	$ 965	
Liabilities:						
Standby letters of credit	$ 145	$ –	$ –	$ 145	$ 145	
Recurring Liabilities	$ 145	$ –	$ –	$ 145	$ 145	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 66,084	$ –	$ –	$ 66,084	$ 66,084	$ 5,320
Other property owned	7,216	–	–	7,938	7,938	(331)
Other investments	140	–	–	140	140	(360)
Nonrecurring Assets	$ 73,440	$ –	$ –	$ 74,162	$ 74,162	$ 4,629
Other Financial Instruments						
Assets:						
Cash	$ 75	$ 75	$ –	$ –	$ 75	
Mission Related Investments	6,653	–	–	6,927	6,927	
Asset-backed securities	14,116	–	14,229	–	14,229	
Loans	755,659	–	–	759,453	759,453	
Other investments*	2,747	–	–	2,750	2,750	
Other Financial Assets	$ 779,250	$ 75	$ 14,229	$ 769,130	$ 783,434	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 673,175	$ –	$ –	$ 664,258	$ 664,258	
Other Financial Liabilities	$ 673,175	$ –	$ –	$ 664,258	$ 664,258	

**Final payments to financial institutions under these investment agreements occurred in 2014.*

Note 7 — 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	$ 905	$ 891
401(k)	143	114
Other postretirement benefits	119	107
Total	$ 1,167	$ 1,112

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	$ 11	$ 2,834	$ 2,845
Other postretirement benefits	80	254	334
Total	$ 91	$ 3,088	$ 3,179

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 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 8 — 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 9 — Business Combination

Effective January 1, 2011, Farm Credit of North Florida, ACA, and Farm Credit of Southwest Florida, ACA, merged with and into Farm Credit of South Florida, ACA. Farm Credit of South Florida then changed its name to Farm Credit of Florida, ACA. As part of the merger, those Associations entered into an agreement with the Bank under which the Bank would provide limited financial assistance to the merged Association in the event of substantial further deterioration in the combined high risk asset portfolio of the merged Association. This agreement relates only to a finite pool of high risk assets of the merged Association existing at the merger date, which had a net book

value at January 1, 2011 of $250.0 million. At March 31, 2014, those assets had a net book value of $68.3 million. This agreement with the Bank does not include losses that are sustained outside of the high risk asset pool. The agreement provides for limits on the merged Association's ability to make patronage distributions and certain other restrictions which are imposed if certain merged Association capital ratios fail to meet minimum established levels.

Under the financial assistance agreement, as amended, if specified minimum levels of capital allocated to the high risk asset pool are not maintained by the merged Association, the Bank would provide financial assistance as stipulated in the agreement. The assistance consists of three components. First, the Bank would allow the Association to include Bank allocated stock owned by the merged Association in its capital ratio computations. Second, the Bank would redeem purchased stock held by the merged Association, up to the total amount outstanding, and the redeemed amount would be included in capital ratio computations by the merged Association. The third and final level of assistance would be a purchase by the Bank at the option of the merged Association of the high risk asset pool from the Association at net book value. Sale of the asset pool by the Association would be conditioned upon the purchase and or reallocation of Bank stock by the merged Association in an amount necessary to satisfy the capitalization requirement under the Bank's capitalization plan then in effect.

Total available first level of assistance (Bank allocated stock owned by the merged Association) that could be included in the merged Association's capital ratio computations was $10.1 million at December 31, 2012, $9.8 million at December 31, 2013 and $9.8 million at March 31, 2014. Total available second level of assistance (Bank purchased stock that could be redeemed and also included in the merged Association's capital ratio computations) was $1.3 million at December 31, 2012, $0 at December 31, 2013 and $0 at March 31, 2014.

Prior to December 31, 2012, capital allocated to the high risk asset pool met minimum levels specified requiring no financial assistance from the Bank under the agreement. Beginning December 31, 2012, capital allocated to the high risk asset pool failed to meet specified minimum capital levels due to cumulative losses in the pool from resolution efforts, provisions, and write-downs subsequent to the merger date. This required $3.3 million of first level financial assistance from the Bank at December 31, 2012 to meet specified minimum capital levels. Total assistance provided by the Bank to the merged Association under the agreement increased to $11.0 million ($10.1 million of first level assistance and $0.9 million of second level assistance) at March 31, 2013, decreasing to $10.5 million ($10.1 million of first level assistance and $0.4 million of second level assistance) at June 30, 2013, and further decreasing to $7.2 million of first level assistance at September 30, 2013.

During the fourth quarter of 2013, the financial assistance agreement was amended to allow the Association to allocate capital to the high risk asset pool. In accordance with the amended financial assistance agreement, the Association allocated $7.0 million in capital to the high risk asset pool at December 31, 2013. This resulted in no financial assistance required from the Bank under the agreement at December 31, 2013.

At March 31, 2014, capital allocated to the high risk asset pool met minimum levels specified requiring no financial assistance from the Bank under the agreement.

Note 10 — Regulatory Enforcement Matters

As previously disclosed, on June 15, 2012 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The written supervisory agreement requires the Association to take corrective actions and other actions with respect to certain areas of its operations, including board governance, director fiduciary duties and standards of conduct, board consultant functions, staffing and succession planning, asset quality, collateral risk, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, and business planning and reporting. In addition, the Association is operating under Supervisory Conditions of Merger and must maintain compliance with all requirements and conditions.

Conditions and events that led to the need for this agreement include portfolio credit quality deterioration, inadequate management succession and human capital planning, perceived weaknesses in board governance, and reduced earnings.

On May 20, 2013, FCA communicated in a letter to the Board that Board and management actions resulted in significant improvements in direction and control, particularly in the areas of human capital and succession planning, strategic planning, and board policy direction. On April 16, 2014, FCA communicated again in a letter to the Board that Board and management continued to strengthen direction and controls over operations specifically in the areas of corporate governance, financial condition and performance as well as in asset quality. The Association has achieved compliance in the areas of standards of conduct, board consultant functions, staffing study, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, management reporting and disclosure to shareholders.

As of May 9, 2014, the Association has taken action to correct the weaknesses identified in the supervisory agreement.

As required by the supervisory agreement, the Board will continue engaging an independent consultant to provide advice in understanding and fulfilling its fiduciary responsibilities and

to perform other advisory functions as specified in the agreement. Both the Board and Senior Management are committed to continuing the administration of the Association in a sound manner.

The Association remained under written supervisory agreement as of the date of this report.

Note 11 — Subsequent Events

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

On May 8, 2014, the Association paid $550,000 to the former CEO in satisfaction of the terms of a retention agreement.