GreenStone Farm Credit Services, ACA

Quarterly Report
September 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the parent) and GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries). This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2013 (2013 Annual Report).

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in GreenStone Farm Credit Services, ACA. To request free copies of the AgriBank and combined AgriBank and Affiliated Associations' financial reports or additional copies of our report, contact us at 3515 West Road, East Lansing, MI 48823, (800) 968-0061, or by e-mail to *Travis.Jones@greenstonefcs.com*, or through our website at *www.greenstonefcs.com*. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at *financialreporting@agribank.com*. The AgriBank and combined AgriBank and Affiliated Associations' financial reports are also available through AgriBank's website at *www.agribank.com*.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2013 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

U.S. Gross Domestic Product (GDP) increased 4.6% in the second quarter of 2014 compared to a decrease of 2.1% in the first quarter of 2014 according to the Bureau of Economic Analysis. Exports of nondurable industrial supplies and inventory investment by motor vehicle dealers accounted for much of the upturn in GDP. In addition, business investment accelerated, mainly in information processing equipment, as did consumer spending, mainly on motor vehicles and parts. In contrast to these contributions, imports were higher in the second quarter than in the first quarter. According to the Commerce Department, housing starts in August were at a seasonally adjusted annual rate of 956,000. This is 14.4% below the revised July estimate of 1,117,000, but is 8.0% above the August 2013 rate of 885,000. Local housing data is positive for both Michigan and Wisconsin. Building permits as measured by the National Association of Home Builders were up 2.0% year-over-year in Michigan compared to a gain of 12% in Wisconsin. Continued momentum in the housing sector has been beneficial to the timber industry both locally and nationally. Locally, both the Michigan and the Wisconsin economies are reporting year-over-year growth in nonfarm payrolls. As of August 31, 2014, 34,000 jobs have been added in Michigan and 60,000 jobs have been added in Wisconsin.

Globally, the dollar strengthened against the primary trade currencies in the third quarter of 2014; however, from a historical perspective key exchange rates remain within normal ranges. As a result, global demand for U.S. agricultural products remains strong. The 2014 forecast for grain and feed exports is up slightly at $36.0 billion. The United States Department of Agriculture (USDA) expects 2015 grain and feed exports of $31.1 billion, down $4.9 billion from the 2014 forecast, driven by sharply lower grain volume and prices. The fiscal 2014 estimate of export values for livestock, poultry, and dairy is increased $1.2 billion to $33.4 billion with gains in dairy, beef, and pork. Fiscal 2015 livestock, poultry, and dairy exports are forecast down $500 million to $32.9 billion from the previous year. However, beef exports are forecast to increase $200 million to a record $6.2 billion as higher prices offset lower volumes. Pork is forecast to decrease $300 million to $5.3 billion due to tight supplies and lower prices. Poultry is forecast to decrease by $100 million to $6.1 billion on less robust poultry meat and egg export volumes. Dairy exports are forecast to decrease $500 million to $7.0 billion as market competition is expected to intensify and global prices are projected to decline.

September forecasts for milk production were increased slightly from August for the current year. The 2014 herd size forecast is unchanged in September at 9.26 million head. Cow numbers are forecast to expand to 9.34 million head next year. Butter and cheese prices are expected to remain high on tight stocks and firm domestic demand. Nonfat dry milk prices are forecast lower on reduced export expectations. Yield per cow is increased in this month's forecast to 22,275 pounds for 2014. Milk production for the current year was raised slightly in September from the August forecast to 206.3 billion pounds on higher yield per cow. World dairy product prices continue to decline and are below domestic prices, and continued strengthening of the dollar versus the Euro and Oceania countries' currencies lead to an increase in dairy imports and a drop in exports. Milk and dairy product production in the European Union (EU) continues to expand with deliveries up 5% year-over-year in the first half of 2014. New Zealand's milk production is expected to increase with the seasonal flush in October. Higher global milk supplies are expected to pressure prices for the balance of 2014 and into 2015. The August Cold Storage report placed July butter stocks at their lowest level since 2001. Cheese monthly ending stocks have trailed 2013 levels year-to-date with the Report showing July monthly ending stocks at their lowest level since 2009. The September Dairy Products report showed July total nonfat dry milk stocks spiked to a monthly record high as exports declined.

Corn production is forecast at 14.4 billion bushels, up 3% from 2013. Yields are expected to average 171.7 bushels per acre, up 12.9 bushels above the 2013 average. If realized, this will be the highest yield and production on record for the United States. Area harvested for grain is forecast at 83.8 million acres, down 4% from 2013. Soybean production is forecast at a record 3.91 billion bushels, up 19% from last year. Yields are expected to average a record high 46.6 bushels per acre, up 3.3 bushels from last year. Area for harvest in the U.S. is forecast at a record 84.1 million acres, up 11% from last year. Corn stocks on September 1, 2014 totaled 1.24 billion bushels, up 50% year-over-year. Soybean stocks on September 1, 2014 totaled 92.0 million bushels, down 35% year-over-year.

The USDA's forecast for net farm income is $113.2 billion in 2014, down about 14% from 2013's forecast of $131.3 billion. The 2014 forecast would be the lowest since 2010, but would remain $25 billion above the previous 10-year average. Lower cash receipts for crops and, to a lesser degree, higher production expenses and reduced government farm payments, drive the expected drop in net farm income. The rate of growth in farm assets, debt, and equity is forecast to slow in 2014 compared to recent years. The slowdown is a result of expected lower net income, higher borrowing costs, and moderation in the growth of farmland values. As a result, the value of farm assets is expected to rise 2.3% in 2014, while farm sector debt is expected to increase 2.7%. This represents a noticeable reduction in the average annual growth in each of these measures compared with the last 10 years. Nonetheless, the historically low levels of debt relative to assets and equity reaffirm the sector's strong financial position.

During the previous several years, increasing net farm income and decreasing interest rates have placed upward pressure on farmland prices. These drivers of the large farmland price increases experienced in the Midwest from 2006 through 2013 are changing. Since the start of 2014, the sharp decline in row crop commodity prices has started to place downward pressure on farm asset values. An increase in interest rates will place additional pressure on farmland and machinery values.

Our annual study of real estate values for the period ending June 30, 2014 documented an increase on all cropland benchmark farms. Price increases ranged from 1.7% to 19.8% with multiple areas experiencing increases of 5% to 15% in land values for the third year in a row. Areas with a high concentration of dairy farms continue to experience stronger pricing pressure than areas dominated by row crop producers. The majority of the cropland price increase occurred in the last half of 2013. In the first six months of 2014, the number of land sales have slowed significantly compared to last year with high quality land continuing to sell at moderately higher prices. Low to moderate quality land values have softened.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $6.3 billion at September 30, 2014, an $84.0 million increase from December 31, 2013.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank was $6.6 billion at September 30, 2014, a $46.5 million increase from December 31, 2013. Our combined mortgage portfolio increased $194.7 million, or 4.1% from December 31, 2013. The asset growth in the mortgage portfolio during the period was primarily attributed to Capital Markets, which grew 11.3% from year-end. Our short-term commercial loan portfolio decreased $123.8 million, or 6.7% from December 31, 2013. This reduction is attributed to significant repayment of principal in the first nine months of 2014 as well as slower than typical operating loan disbursements due to the high levels of earnings based liquidity in many of our major commodity and industry segments. Secondly, this comparison is affected by the level of tax planning disbursements that were drawn as of December 2013. When compared to September 2013, owned and managed mortgage volume is up 6.9% and commercial loan volume is down 2.9%.

Portfolio Credit Quality

Credit quality remained strong during the first nine months of 2014. Acceptable loan credit quality, as measured under the Uniform Classification System, increased to 97.4% after beginning the year at 96.2%. Year over year, credit quality improved 1.3 percentage points from 96.1% acceptable at September 30, 2013. The level of loan quality is currently above the strategic objective of 90.0% of the portfolio rated acceptable. Portfolio assets criticized as being less than acceptable are comprised of 0.8% other assets especially mentioned (OAEM) and 1.8% adversely classified. Both categories improved from December 31, 2013.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse asset to risk funds ratio of 10.3%. This ratio has improved since December 31, 2013 when it was 18.7%. This ratio is a good measure of our risk bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At September 30, 2014, $270.5 million of our loans were, to some level, guaranteed under these programs.

Risk Assets

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

As of:	**September 30 2014**	December 31 2013
Loans:		
Nonaccrual	**$57,791**	$57,885
Accruing restructured	**2,856**	1,923
Accruing loans 90 days or more past due	**826**	--
Total risk loans	**61,473**	59,808
Acquired property	**2,512**	12,751
Total risk assets	**$63,985**	$72,559
Risk loans as a percentage of total loans	**1.0%**	1.0%
Nonaccrual loans as a percentage of total loans	**0.9%**	0.9%
Total delinquencies as a percentage of total loans	**0.4%**	0.6%

Our risk assets have decreased from December 31, 2013 and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loans decreased from $57.9 million at December 31, 2013 to $57.8 million at September 30, 2014. As of September 30, 2014, the nonaccrual loan portfolio volume was comprised of approximately 32% greenhouse and nursery loans, 18% part-time farmers, 11% dairy loans, and 10% rural homes. Nonaccrual loans remained at an acceptable level at September 30, 2014 and 74.2% of our nonaccrual loans were current.

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

Acquired property inventory decreased from $12.8 million at December 31, 2013 to $2.5 million at September 30, 2014. This improvement was primarily due to the sale of a large timber property during the third quarter of 2014 which had a book value of $10.0 million at December 31, 2013.

Allowance for Loan Losses

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

The following table presents comparative allowance coverage of various loan categories:

Allowance as a percentage of:	**September 30 2014**	December 31 2013
Loans	**0.5%**	0.6%
Nonaccrual loans	**53.6%**	67.0%
Total risk loans	**50.4%**	64.8%

The allowance for loan losses decreased $7.8 million from December 31, 2013 to September 30, 2014. During the first nine months of 2014, a reversal of loan loss provision of $6.0 million was recorded, as well as $1.8 million of net charge-offs. The decrease in the allowance for loan losses is primarily due to several large payments on adversely classified loans and improved credit quality.

From time to time, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income includes a (reversal of) provision for loan losses as well as a provision for credit losses on unfunded loan commitments. During the nine months ended September 30, 2014, $1.2 million of provision expense was recorded to increase the reserve on unfunded loan commitments. The accrued credit losses are recorded in “Other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $3.6 million and $2.4 million as of September 30, 2014 and December 31, 2013, respectively.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2014.

RESULTS OF OPERATIONS

The following table presents profitability information (dollars in thousands):

For the nine months ended September 30	2014	2013
Net income	**$108,837**	$103,380
Return on average assets	**2.3%**	2.3%
Return on average members' equity	**12.1%**	12.6%

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

The following table summarizes the changes in components of net income (in thousands):

For the nine months ended September 30	2014	2013	Increase (decrease) in net income
Net interest income	**$132,971**	$129,317	**$3,654**
Reversal of credit losses	**4,795**	4,642	**153**
Patronage income	**19,716**	17,878	**1,838**
Financially related services income	**5,731**	5,677	**54**
Fee income	**2,282**	2,374	**(92)**
Acquired property net income	**3,419**	2,213	**1,206**
Miscellaneous income, net	**249**	981	**(732)**
Operating expenses	**(54,835)**	(52,445)	**(2,390)**
Provision for income taxes	**(5,491)**	(7,257)	**1,766**
Net income	**$108,837**	$103,380	**$5,457**

Net interest income was $133.0 million for the nine months ended September 30, 2014. The following table quantifies changes in net interest income for the nine months ended September 30, 2014 compared to the same period in 2013 (in thousands):

	2014 vs 2013
Changes in volume	**$9,947**
Changes in interest rates	**(5,978)**
Changes in nonaccrual income and other	**(315)**
Net change	**$3,654**

The change in patronage income was primarily related to increased patronage received from AgriBank due to a higher patronage rate compared to the prior year and due to an increased partnership distribution from our participation in the AgDirect trade credit financing program.

The increase in acquired property net income was primarily due to the gain on the sale of a large timber property during the third quarter of 2014 of $3.2 million in comparison to two large relationships being sold in the third quarter of 2013 for a total gain of $1.2 million.

The change in operating expenses was primarily related to an increase in salaries and employee benefits and an increase in Farm Credit System insurance expense compared to the prior year.

The change in provision for income taxes was primarily related to lower taxable income on the taxable ACA entity.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures January 31, 2015, at which time the note will be renegotiated. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at September 30, 2014 or December 31, 2013.

Total members' equity increased $88.3 million from December 31, 2013 primarily due to net income for the period partially offset by patronage distribution accruals.

Farm Credit Administration (FCA) regulations require us to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. Refer to Note 8 in our 2013 Annual Report for a more complete description of these ratios. As of September 30, 2014, the ratios were as follows:

- The permanent capital ratio was 16.2%.
- The total surplus ratio was 15.9%.
- The core surplus ratio was 15.9%.

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

RELATIONSHIP WITH AGRIBANK

We are required to invest in AgriBank capital stock as a condition of borrowing. Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million. In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment. The positive impact of this transaction on our capital adequacy ratios was approximately 0.5%.

On March 5, 2014, the AgriBank Board of Directors approved an amendment to the AgriBank capital plan which reduced the base required stock investment for all affiliated associations, including GreenStone Farm Credit Services, ACA from 2.5% to 2.25% effective March 31, 2014.

RELATIONSHIP WITH OTHER FARM CREDIT INSTITUTIONS

We have a relationship with Farm Credit Leasing (FCL), a System entity specializing in leasing products and providing industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows in some of the transactions. Additionally, on January 2, 2014, we sold substantially our entire leasing portfolio, $26.3 million of lease volume, to FCL.

CERTIFICATION

The undersigned certify they have reviewed GreenStone Farm Credit Services, ACA's September 30, 2014 Quarterly Report. It has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Scott A. Roggenbuck
Chairperson of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Travis D. Jones
Chief Financial Officer
GreenStone Farm Credit Services, ACA

November 6, 2014

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA

(in thousands)

(Unaudited)

As of:	**September 30 2014**	December 31 2013
ASSETS		
Loans	**$6,333,881**	$6,249,883
Allowance for loan losses	**30,982**	38,772
Net loans	**6,302,899**	6,211,111
Investment in AgriBank, FCB	**100,944**	157,945
Investment securities	**27,099**	32,233
Accrued interest receivable	**57,833**	43,327
Premises and equipment, net	**33,827**	33,342
Acquired property	**2,512**	12,751
Deferred tax assets, net	**6,375**	5,975
Other assets	**37,246**	44,530
Total assets	**$6,568,735**	$6,541,214
LIABILITIES		
Note payable to AgriBank, FCB	**$5,237,623**	$5,296,022
Accrued interest payable	**20,578**	20,108
Patronage distribution payable	**20,850**	29,000
Other liabilities	**45,439**	40,172
Total liabilities	**5,324,490**	5,385,302
Contingencies and commitments	**--**	--
MEMBERS' EQUITY		
Protected members' equity	**3**	3
Capital stock and participation certificates	**20,947**	20,614
Unallocated surplus	**1,223,295**	1,135,295
Total members' equity	**1,244,245**	1,155,912
Total liabilities and members' equity	**$6,568,735**	$6,541,214

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

CONSOLIDATED STATEMENTS OF INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended		*Nine Months Ended*	
For the period ended September 30	**2014**	2013	**2014**	2013
Interest income	**$66,275**	$63,637	**$195,392**	$186,121
Interest expense	**21,322**	19,391	**62,421**	56,804
Net interest income	**44,953**	44,246	**132,971**	129,317
Provision for (reversal of) credit losses	**509**	(2,050)	**(4,795)**	(4,642)
Net interest income after provision for (reversal of) credit losses	**44,444**	46,296	**137,766**	133,959
Non-interest income				
Patronage income	**6,432**	5,850	**19,716**	17,878
Financially related services income	**2,109**	1,955	**5,731**	5,677
Fee income	**807**	862	**2,282**	2,374
Acquired property net income	**3,064**	3,134	**3,419**	2,213
Miscellaneous (loss) income, net	**(95)**	134	**249**	981
Total non-interest income	**12,317**	11,935	**31,397**	29,123
Operating expenses				
Salaries and employee benefits	**11,579**	11,870	**34,480**	33,191
Other operating expenses	**7,296**	6,373	**20,355**	19,254
Total operating expenses	**18,875**	18,243	**54,835**	52,445
Income before income taxes	**37,886**	39,988	**114,328**	110,637
Provision for income taxes	**975**	2,235	**5,491**	7,257
Net income	**$36,911**	$37,753	**$108,837**	$103,380

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA

(in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2012	$3	$19,742	$1,029,162	$1,048,907
Net income	--	--	103,380	103,380
Unallocated surplus designated for patronage distributions	--	--	(16,929)	(16,929)
Capital stock and participation certificates issued	--	1,838	--	1,838
Capital stock and participation certificates retired	--	(1,071)	--	(1,071)
Balance at September 30, 2013	$3	$20,509	$1,115,613	$1,136,125
Balance at December 31, 2013	$3	$20,614	$1,135,295	$1,155,912
Net income	**--**	**--**	**108,837**	**108,837**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(20,837)**	**(20,837)**
Capital stock and participation certificates issued	**--**	**1,367**	**--**	**1,367**
Capital stock and participation certificates retired	**--**	**(1,034)**	**--**	**(1,034)**
Balance at September 30, 2014	**$3**	**$20,947**	**$1,223,295**	**$1,244,245**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the year ending December 31, 2014. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2013 (2013 Annual Report).

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

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period's presentation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued, but are not yet effective, and have determined that no such standards are expected to have a material impact to our consolidated financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

As of:	**September 30, 2014**		December 31, 2013	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$3,812,087**	**60.1%**	$3,709,470	59.4%
Production and intermediate term	**1,814,951**	**28.7**	1,907,963	30.5
Agribusiness	**428,176**	**6.8**	346,387	5.5
Other	**278,667**	**4.4**	286,063	4.6
Total	**$6,333,881**	**100.0%**	$6,249,883	100.0%

The other category is primarily comprised of rural residential real estate, communication, and energy related loans as well as loans originated under our mission related investment authority.

Delinquency

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
As of September 30, 2014						
Real estate mortgage	**$6,440**	**$4,901**	**$11,341**	**$3,836,759**	**$3,848,100**	**$ --**
Production and intermediate term	**4,592**	**3,002**	**7,594**	**1,827,237**	**1,834,831**	**826**
Agribusiness	**--**	**3,360**	**3,360**	**425,873**	**429,233**	**--**
Other	**3,056**	**949**	**4,005**	**275,200**	**279,205**	**--**
Total	**$14,088**	**$12,212**	**$26,300**	**$6,365,069**	**$6,391,369**	**$826**
As of December 31, 2013						
Real estate mortgage	$14,324	$9,503	$23,827	$3,709,785	$3,733,612	$ --
Production and intermediate term	6,422	1,287	7,709	1,917,432	1,925,141	--
Agribusiness	--	--	--	347,591	347,591	--
Other	4,403	700	5,103	281,421	286,524	--
Total	$25,149	$11,490	$36,639	$6,256,229	$6,292,868	$ --

Risk Loans

The following table presents risk loan information (accruing loans include accrued interest receivable) (in thousands):

As of:	**September 30 2014**	December 31 2013
Volume with specific reserves	**$35,048**	$39,030
Volume without specific reserves	**26,425**	20,778
Total risk loans	**$61,473**	$59,808
Total specific reserves	**$14,469**	$17,168

For the nine months ended September 30	**2014**	2013
Income on accrual risk loans	**$113**	$52
Income on nonaccrual loans	**1,540**	648
Total income on risk loans	**$1,653**	$700
Average risk loans	**$63,622**	$67,313

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

The following table presents information regarding troubled debt restructurings that occurred during the nine months ended September 30 (in thousands):

	2014		2013	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$291**	**$293**	$199	$194
Production and intermediate term	**12**	**12**	2,186	2,186
Other	**94**	**104**	--	--
Total	**$397**	**$409**	$2,385	$2,380

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

The following table presents troubled debt restructurings that defaulted during the nine months ended September 30 in which the modification date was within twelve months of the respective reporting period (in thousands):

	2014	2013
Real estate mortgage	**$ --**	$204
Production and intermediate term	**--**	33
Other	**104**	128
Total	**$104**	$365

The following table presents information regarding troubled debt restructurings outstanding (in thousands):

As of:	**September 30 2014**	December 31 2013
Troubled debt restructurings in accrual status	**$2,856**	$1,923
Troubled debt restructurings in nonaccrual status	**2,533**	4,001
Troubled debt restructurings	**$5,389**	$5,924

Additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring were $12 thousand at September 30, 2014.

Allowance for Loan Losses

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

Nine months ended September 30	**2014**	2013
Balance at beginning of year	**$38,772**	$41,964
Reversal of loan losses	**(6,022)**	(4,642)
Loan recoveries	**492**	2,695
Loan charge-offs	**(2,260)**	(3,637)
Balance at end of period	**$30,982**	$36,380

The allowance for loan losses decreased $7.8 million from December 31, 2013 to September 30, 2014. During the first nine months of 2014, a reversal of loan loss provision of $6.0 million was recorded, as well as $1.8 million of net charge-offs. The decrease in the allowance for loan losses is primarily due to several large payments on adversely classified loans and improved credit quality.

From time to time, credit losses may be recorded to establish a reserve on unfunded loan commitments. The "Provision for (reversal of) credit losses" in the Consolidated Statements of Income includes a (reversal of) provision for loan losses as presented in the previous chart as well as a provision for credit losses on unfunded loan commitments. During the nine months ended September 30, 2014, $1.2 million of provision expense was recorded to increase the reserve on unfunded loan commitments. The accrued credit losses are recorded in "Other liabilities" in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $3.6 million and $2.4 million as of September 30, 2014 and December 31, 2013, respectively.

NOTE 3: INVESTMENT IN AGRIBANK, FCB

Effective March 31, 2014, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. Previously, the required investment was equal to 2.5%. There was no change in the required investment for growth exceeding the targeted rate.

The balance of our investment in AgriBank, all required stock, was $100.9 million at September 30, 2014 and $157.9 million at December 31, 2013.

Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million**.** In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment.

NOTE 4: INVESTMENT SECURITIES

We held investment securities of $27.1 million at September 30, 2014 and $32.2 million at December 31, 2013. Our investment securities consisted of loans guaranteed by the Small Business Administration. These securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

The following table presents further information on investment securities (dollars in thousands):

As of:	**September 30 2014**	December 31 2013
Amortized cost	**$27,099**	$32,233
Unrealized gains	**873**	666
Unrealized losses	**--**	--
Fair value	**$27,972**	$32,899
Weighted average yield	**0.7%**	1.3%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $160 thousand and $368 thousand for the nine months ended September 30, 2014 and 2013, respectively.

NOTE 5: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments, primarily commitments to extend credit, which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

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

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Notes 2 and 13 in our 2013 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2014 or December 31, 2013.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis follows (in thousands):

	As of September 30, 2014				**Nine months ended September 30, 2014**
	Fair Value Measurement Using			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Loans	**$ --**	**$15,256**	**$6,352**	**$21,608**	**$439**
Acquired property	**--**	**3,335**	**--**	**3,335**	**3,427**
Unfunded loan commitments	**--**	**--**	**3,635**	**3,635**	**(1,227)**

	As of December 31, 2013				Nine months ended September 30, 2013
	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Loans	$ --	$11,142	$11,812	$22,954	($1,323)
Acquired property	--	2,369	11,335	13,704	2,354
Unfunded loan commitments	--	--	2,408	2,408	--

Valuation Techniques

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

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

Unfunded loan commitments: Estimating the fair value of unfunded loan commitments is determined by the inherent credit loss in such instruments.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 6, 2014, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.