GreenStone Farm Credit Services, ACA

Quarterly Report
June 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) decreased 2.9% in the first quarter of 2014 compared to an increase of 2.6% in the fourth quarter of 2013 according to the Bureau of Economic Analysis. The decline in GDP was largely accounted for by significant declines in inventories, investments, and net exports. In addition, state and local government spending, business investment, housing investment, and a harsh winter also contributed to the GDP decline. In contrast, consumer spending increased, notably in the service sector. According to the Commerce Department, housing starts in May were at a seasonally adjusted annual rate of 1,001,000. This is 9.4% above the May 2013 rate of 915,000. The growth in housing starts is a positive development for the timber industry. Locally, both the Michigan and the Wisconsin economies have grown their employment base in 2014. Through May 31, 2014, Michigan added 30,000 jobs and Wisconsin added 43,000 jobs. Local housing data is mixed for Michigan and Wisconsin. Building permits as measured by the National Association of Home Builders were down 3.0% year-over-year in Michigan compared to a gain of 18% in Wisconsin.

While commodity prices were broadly soft or flat in the second half of 2013, the prices for some commodities firmed up in the first half of 2014 with signs of strengthening global activity, albeit with notable volatility. Since 2009 the growth rate of global commodity consumption appears to be slowing, except in the case of food. The growth rates of basic food staples are giving way to strong demand for protein around the world. In China, the world's second largest economy, food consumption per capita appears to be broadly in line with the recorded history of other fast-growing Asian economies a few decades earlier.

Globally, the dollar has been mostly stable versus the primary trade currencies in 2014 and as a result global demand for U.S. agricultural products remains strong. The United States Department of Agriculture (USDA) expects fiscal 2014 U.S. grain and feed exports of $35.8 billion, up $4.5 billion from earlier forecasts. Exports for all grain categories except rice are higher. The forecast for coarse grain exports increased to $11.9 billion largely due to greater corn volume. The fiscal 2014 export forecast for livestock, dairy, and poultry is a record $32.2 billion. Increases in dairy and beef more than offset a decline in pork and poultry. Dairy products increased $500 million to $6.8 billion as exports are higher than anticipated due to continuing strong global demand. Beef increased $300 million to $5.6 billion on higher prices and slightly larger volumes. Poultry decreased $100 million to $6.2 billion due to weaker shipments of eggs.

The spring season was cold and wet, leading to a later than normal planting window for many farmers in our territory. Once the crops were planted, the early summer weather has been cooperative with most areas experiencing adequate rainfall and warmth. The outlook for row crops in Michigan and Northeast Wisconsin remains mostly favorable. The outlook for corn and soybean producers, assuming a U.S. crop harvest similar to 2013 is for continued reduction in profit margins, year-over-year, but still profitable for many of our producers while others will experience net operating losses. The exceptionally cold winter did some damage to wine grape vines and blueberry shrubs; however yields on this year's fruit crop are expected to be mostly in line with last season.

For the first quarter of 2014 U.S. milk production came in at 51.1 billion pounds, up one percent from the corresponding period last year. Cow numbers are forecasted at 9.3 million head for 2014, slightly higher than 2013 levels. Prices for dairy replacements are ahead of last year's prices and first quarter dairy cow slaughter trails last year. However, this is a modest expansion in light of the strong profit signals to producers. Current year output per cow has increased to 22,280 pounds per cow. Increased output per cow reflects both improved producer returns and improved forage conditions, especially in the Midwest, after last year's poor-quality harvest. Total milk production is forecasted at 206.1 billion pounds this year, climbing to 212.1 billion pounds in 2015. Milk production expansion to date appears to be coming mostly from increased output per cow rather than from herd expansion.

The most recent USDA estimate indicates a record high 84.8 million acres of soybeans for 2014, up 11% from last year, while corn acreage planted is estimated at 91.6 million acres, down 4% from last year, representing the lowest planted acreage in the U.S. since 2010. Corn yield is expected to come in at 165.3 bushels. The USDA, as of June 1, 2014, estimated soybeans stored totaled 405 million bushels, down 7% from last year. Corn stocks were estimated to be 3.9 billion bushels, up 39% from the same time last year.

Since the fall of 2013, the spread of the Porcine Epidemic Diarrhea virus (PEDv) in the U.S. hog sector has contributed to reduced market hog inventories and higher hog prices in early 2014. Positive accessions of the disease continued through the fall, and accelerated early in 2014. Infection rates and subsequent piglet deaths have negative implications for pork production six months later—the typical grow-out period for slaughter hogs. Forecasts for lower pork production and continued higher prices are expected to continue for the remainder of 2014.

The AgriConsumer market segment remains soft for both new originations and refinancing activity. A major headwind for this segment is the fact that the prevailing market interest rates are 96 basis points higher than year ago levels. The Home Price Index has increased year-over-year for Michigan and Wisconsin 6.1% and 3.6%, respectively. The national average increase in the Home Price Index through May was 6.6%. As of May 2014, the Bureau of Labor and Statistics reports the unemployment rate of Wisconsin has improved from 6.8% to 5.7% when compared to May 2013, well below the 2009 recession peak of 9.2%. In Michigan, unemployment levels have declined year-over-year from 8.9% to 7.5%, again well below the 2009 recession peak of 14.2%. Profitability in the automotive industry continues to benefit the local economy. After a slow start to the year due to the harsh winter climate, June year-to-date domestic light vehicle sales have posted growth of 4.3% when compared to the same time period last year. This bodes well for the Michigan economy and our expectations of this segment of the loan portfolio.

LOAN PORTFOLIO

Owned loan volume totaled $6.1 billion at June 30, 2014, a $109.9 million decrease from December 31, 2013.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank was $6.5 billion at June 30, 2014, a $130.9 million decrease from December 31, 2013. Our combined mortgage portfolio increased $49.8 million, or 1.1% from December 31, 2013. The asset growth in the mortgage portfolio during the period was primarily attributed to Capital Markets, which grew 5.4% from year-end. Our short-term commercial loan portfolio decreased $156.2 million, or 8.5% from December 31, 2013. This reduction is attributed to significant repayment of principal in the first half 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 June 2013, owned and managed mortgage volume is up 6.0% and commercial loan volume is down 1.5%.

Portfolio Credit Quality

Credit quality remained strong during the first half of 2014. Acceptable loan credit quality, as measured under the Uniform Classification System, increased to 96.6% after beginning the year at 96.2%. Year over year, credit quality improved 0.8 percentage points from 95.8% acceptable at June 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 0.9% other assets especially mentioned (OAEM) and 2.5% adversely classified. Both categories improved slightly 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 assets to risk funds ratio of 15.0%. 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 June 30, 2014, $268.4 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:	**June 30 2014**	December 31 2013
Loans:		
Nonaccrual	**$59,737**	$57,885
Accruing restructured	**2,443**	1,923
Accruing loans 90 days or more past due	**880**	--
Total risk loans	**63,060**	59,808
Acquired property	**12,970**	12,751
Total risk assets	**$76,030**	$72,559
Risk loans as a percentage of total loans	**1.0%**	1.0%
Nonaccrual loans as a percentage of total loans	**1.0%**	0.9%
Total delinquencies as a percentage of total loans	**0.4%**	0.6%

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

Nonaccrual loans increased from $57.9 million at December 31, 2013 to $59.7 million at June 30, 2014. As of June 30, 2014, the nonaccrual loan portfolio volume was comprised of approximately 31% greenhouse and nursery loans, 19% part-time farmers, and 13% dairy loans. Nonaccrual loans remained at an acceptable level at June 30, 2014 and 76.4% 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 increased $219 thousand from $12.8 million at December 31, 2013 to $13.0 million at June 30, 2014. This stable level is primarily due to the number of acquired properties remaining fairly consistent during the first half of 2014 when compared to 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, 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:	**June 30 2014**	December 31 2013
Loans	**0.5%**	0.6%
Nonaccrual loans	**50.2%**	67.0%
Total risk loans	**47.5%**	64.8%

The allowance for loan losses decreased $8.8 million from December 31, 2013 to June 30, 2014. During the first half of 2014, a reversal of loan loss provision of $7.4 million was recorded, as well as $1.4 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. Throughout the year a portion of an established liability may be funded. As a result of any funding, an allowance for loan losses is established through a provision for loan losses while a reversal of credit losses simultaneously occurs. During the year ended December 31, 2013, $2.4 million of provision expense was recorded to establish a reserve on unfunded loan commitments. The accrued credit losses are recorded in “Other liabilities” in the Consolidated Statements of Condition. The “Reversal of provision for credit losses” in the Consolidated Statements of Income includes a reversal of provision for loan losses of $7.4 million which was off-set by a provision for credit losses on unfunded loan commitments of $2.1 million. The accrued credit losses related to unfunded loan commitments were $4.5 million and $2.4 million as of June 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 June 30, 2014.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2014 totaled $71.9 million compared to $65.6 million for the same period in 2013. The following table illustrates profitability information:

For the six months ended June 30	**2014**	2013
Return on average assets	**2.3%**	2.2%
Return on average members' equity	**12.1%**	12.2%

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 six months ended June 30	2014	2013	Increase (decrease) in net income
Net interest income	**$88,018**	$85,071	**$2,947**
Reversal of provision for credit losses	**(5,304)**	(2,592)	**2,712**
Patronage income	**13,284**	12,028	**1,256**
Financially related services income	**3,622**	3,722	**(100)**
Fee income	**1,475**	1,512	**(37)**
Acquired property income (loss), net	**355**	(921)	**1,276**
Miscellaneous income, net	**344**	847	**(503)**
Operating expenses	**35,960**	34,202	**(1,758)**
Provision for income taxes	**4,516**	5,022	**506**
Net income	**$71,926**	$65,627	**$6,299**

Net interest income was $88.0 million for the six months ended June 30, 2014. The following table quantifies changes in net interest income for the six months ended June 30, 2014 compared to the same period in 2013 (in thousands):

	2014 vs 2013
Changes in volume	**$7,354**
Changes in rates	**(3,929)**
Changes in nonaccrual income and other	**(478)**
Net change	**$2,947**

The change in the reversal of provision for credit losses includes a reversal of provision for loan losses of $7.4 million, which was primarily due to pay-downs on adversely classified loans and improved credit quality. In addition, a $2.1 million provision for credit losses was recorded on unfunded loan commitments due to the amount of unfunded balances increasing on two nonaccrual loans during the first half of 2014.

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 income (loss), net was primarily due to a better success rate of selling our acquired properties at a profitable level as well as a decrease in our acquired property expenses due to the lower inventory.

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

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 June 30, 2014 or December 31, 2013.

Total members' equity increased $58.2 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 June 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.

ADDITIONAL REGULATORY INFORMATION

Effective June 18, 2014, the FCA Board adopted a final rule to remove all requirements related to advisory votes at Farm Credit institutions. This rule eliminates the requirement for advisory votes on CEO and/or senior officer compensation.

CERTIFICATION

The undersigned certify they have reviewed GreenStone Farm Credit Services, ACA's June 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

August 6, 2014

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA

(in thousands)

(Unaudited)

As of:	**June 30 2014**	December 31 2013
ASSETS		
Loans	**$6,140,018**	$6,249,883
Allowance for loan losses	**29,975**	38,772
Net loans	**6,110,043**	6,211,111
Investment in AgriBank, FCB	**100,316**	157,945
Investment securities	**28,367**	32,233
Accrued interest receivable	**43,795**	43,327
Premises and equipment, net	**33,516**	33,342
Acquired property	**12,970**	12,751
Deferred tax assets, net	**5,984**	5,975
Other assets	**38,689**	44,530
Total assets	**$6,373,680**	$6,541,214
LIABILITIES		
Note payable to AgriBank, FCB	**$5,075,555**	$5,296,022
Accrued interest payable	**19,921**	20,108
Patronage distribution payable	**13,900**	29,000
Other liabilities	**50,178**	40,172
Total liabilities	**5,159,554**	5,385,302
Contingencies and commitments	**--**	--
MEMBERS' EQUITY		
Protected members' equity	**3**	3
Capital stock and participation certificates	**20,789**	20,614
Unallocated surplus	**1,193,334**	1,135,295
Total members' equity	**1,214,126**	1,155,912
Total liabilities and members' equity	**$6,373,680**	$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		*Six Months Ended*	
For the period ended June 30	**2014**	2013	**2014**	2013
Interest income	**$64,494**	$61,628	**$129,117**	$122,484
Interest expense	**20,660**	18,755	**41,099**	37,413
Net interest income	**43,834**	42,873	**88,018**	85,071
Reversal of provision for credit losses	**(1,478)**	(1,312)	**(5,304)**	(2,592)
Net interest income after reversal of provision for credit losses	**45,312**	44,185	**93,322**	87,663
Non-interest income				
Patronage income	**6,528**	5,877	**13,284**	12,028
Financially related services income	**1,057**	1,634	**3,622**	3,722
Fee income	**788**	756	**1,475**	1,512
Acquired property income (loss), net	**156**	(646)	**355**	(921)
Miscellaneous income, net	**12**	243	**344**	847
Total non-interest income	**8,541**	7,864	**19,080**	17,188
Operating expenses				
Salaries and employee benefits	**11,180**	10,448	**22,901**	21,321
Other operating expenses	**6,564**	6,741	**13,059**	12,881
Total operating expenses	**17,744**	17,189	**35,960**	34,202
Income before income taxes	**36,109**	34,860	**76,442**	70,649
Provision for income taxes	**2,360**	2,731	**4,516**	5,022
Net income	**$33,749**	$32,129	**$71,926**	$65,627

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	--	--	65,627	65,627
Unallocated surplus designated for patronage distributions	--	--	(11,279)	(11,279)
Capital stock and participation certificates issued	--	1,282	--	1,282
Capital stock and participation certificates retired	--	(716)	--	(716)
Balance at June 30, 2013	$3	$20,308	$1,083,510	$1,103,821
Balance at December 31, 2013	$3	$20,614	$1,135,295	$1,155,912
Net income	**--**	**--**	**71,926**	**71,926**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(13,887)**	**(13,887)**
Capital stock and participation certificates issued	**--**	**880**	**--**	**880**
Capital stock and participation certificates retired	**--**	**(705)**	**--**	**(705)**
Balance at June 30, 2014	**$3**	**$20,789**	**$1,193,334**	**$1,214,126**

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 six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the year ended 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:	**June 30, 2014**		December 31, 2013	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$3,748,813**	**61.0%**	$3,709,470	59.4%
Production and intermediate term	**1,771,565**	**28.9**	1,907,963	30.5
Agribusiness	**347,573**	**5.7**	346,387	5.5
Other	**272,067**	**4.4**	286,063	4.6
Total	**$6,140,018**	**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 June 30, 2014						
Real estate mortgage	**$7,390**	**$5,817**	**$13,207**	**$3,762,502**	**$3,775,709**	**$ --**
Production and intermediate term	**3,288**	**3,692**	**6,980**	**1,779,640**	**1,786,620**	**880**
Agribusiness	**174**	**--**	**174**	**348,413**	**348,587**	**--**
Other	**2,184**	**1,380**	**3,564**	**268,991**	**272,555**	**--**
Total	**$13,036**	**$10,889**	**$23,925**	**$6,159,546**	**$6,183,471**	**$880**
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:	**June 30 2014**	December 31 2013
Volume with specific reserves	**$31,427**	$39,030
Volume without specific reserves	**31,633**	20,778
Total risk loans	**$63,060**	$59,808
Total specific reserves	**$13,725**	$17,168

For the six months ended June 30	**2014**	2013
Income on accrual risk loans	**$62**	$32
Income on nonaccrual loans	**1,332**	491
Total income on risk loans	**$1,394**	$523
Average risk loans	**$63,976**	$69,316

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 six months ended June 30 (in thousands):

	2014		2013	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$291**	**$293**	$185	$185
Production and intermediate term	**12**	**12**	2,186	2,186
Other	**94**	**104**	--	--
Total	**$397**	**$409**	$2,371	$2,371

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.

There were no troubled debt restructurings that defaulted during the six months ended June 30, 2014 in which the modification was within twelve months of the respective reporting period. We had troubled debt restructurings of $37 thousand that defaulted during the six months ended June 30, 2013, in which the modifications were within twelve months of the respective reporting period. These restructurings with a payment default occurred in the production and intermediate term loan category.

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

As of:	**June 30 2014**	December 31 2013
Troubled debt restructurings in accrual status	**$2,443**	$1,923
Troubled debt restructurings in nonaccrual status	**3,172**	4,001
Troubled debt restructurings	**$5,615**	$5,924

Additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring were $42 thousand at June 30, 2014.

Allowance for Loan Losses

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

Six months ended June 30	**2014**	2013
Balance at beginning of year	**$38,772**	$41,964
Reversal of loan loss provision	**(7,444)**	(2,592)
Loan recoveries	**320**	2,342
Loan charge-offs	**(1,673)**	(2,661)
Balance at end of period	**$29,975**	$39,053

The allowance for loan losses decreased $8.8 million from December 31, 2013 to June 30, 2014. During the first half of 2014, a reversal of loan loss provision of $7.4 million was recorded, as well as $1.4 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. Throughout the year a portion of an established liability may be funded. As a result of any funding, an allowance for loan losses is established through a provision for loan losses while a reversal of credit losses simultaneously occurs. During the year ended December 31, 2013, $2.4 million of provision expense was recorded to establish a reserve on unfunded loan commitments. The accrued credit losses are recorded in "Other liabilities" in the Consolidated Statements of Condition. The "Reversal of provision for credit losses" in the Consolidated Statements of Income includes a reversal of provision for loan losses of $7.4 million which was off-set by a provision for credit losses on unfunded loan commitments of $2.1 million. The accrued credit losses related to unfunded loan commitments were $4.5 million and $2.4 million as of June 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 $100.3 million at June 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 $28.4 million at June 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:	**June 30 2014**	December 31 2013
Amortized cost	**$28,367**	$32,233
Unrealized gains	**726**	666
Unrealized losses	**--**	--
Fair value	**$29,093**	$32,899
Weighted average yield	**0.8%**	1.3%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $121 thousand and $261 thousand for the six months ended June 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 June 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 June 30, 2014				**Six months ended June 30, 2014**
	Fair Value Measurement Using			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Loans	**$ --**	**$11,704**	**$6,882**	**$18,586**	**$1,770**
Acquired property	**--**	**2,041**	**11,798**	**13,839**	**345**
Unfunded loan commitments	**--**	**--**	**4,548**	**4,548**	**(2,140)**

	As of December 31, 2013				Six months ended June 30, 2013
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Losses
Loans	$ --	$11,142	$11,812	$22,954	($1,001)
Acquired property	--	2,369	11,335	13,704	(861)
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 August 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.