CAPITAL FARM CREDIT

PART OF THE FARM CREDIT SYSTEM

Quarterly Report To Stockholders

Quarter Ended June 30, 2014

REPORT OF MANAGEMENT

The consolidated financial statements of Capital Farm Credit, ACA (the association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (FCB) and the association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The annual consolidated financial statements are examined by PricewaterhouseCoopers LLP, independent auditors, who conduct a review of internal controls solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The association is also examined by the Farm Credit Administration.

The Audit Committee of the board of directors has oversight responsibility for the association's systems of internal control and financial reporting. The Audit Committee consults regularly with management and meets periodically with the independent auditors and the internal auditors to review the scope and results of their work. The independent auditors and internal auditors have direct access to the Audit Committee.

The undersigned certify that this quarterly report has been reviewed and prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of his knowledge and belief.

Ben R. Novosad

Ben R. Novosad,
Chief Executive Officer

Phillip Munden

Phillip Munden,
Chairman, Board of Directors

Don VandeVanter

Don VandeVanter,
Chief Financial Officer

August 4, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Capital Farm Credit, ACA including its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively referred to as the association) for the quarter ended June 30, 2014. These comments should be read in conjunction with the accompanying consolidated financial statements and the December 31, 2013 Annual Report of the association. Results for interim periods are not necessarily indicative of results to be expected for future periods.

General economic conditions continue to improve throughout the State of Texas, fueled by the booming oil and gas business. Real estate prices continue to trend higher as a result. There has been some decline in grain and cotton prices during the year which may negatively affect the farm producers, but this has generally helped the livestock, dairy and poultry producers. All producers have benefited from measurable moisture in the second quarter, which has improved the growing conditions throughout most of the region. Overall conditions throughout the association's territory continue to show modest improvement, which has led to improved asset quality for the association.

Patronage Refunds by Association

The board of directors approved a $144,361 patronage distribution for 2013 for all patronage sourced earnings. At year end the association established an estimated cash patronage payable of $65,486 and $78,875 in nonqualified allocations. In March 2014 the association finalized the computation of these distributions which resulted in a reduction in cash patronage payable of $30 for an actual cash distribution of $65,456. In addition, nonqualified allocations were also adjusted by a reduction of $227 resulting in an actual allocation of $78,648. The owners of these nonqualified distributions do not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. In 2012, the board of directors approved a $138,334 patronage distribution for 2012. $42,133 of this distribution was paid in cash in March 2013. $96,201 of this distribution was made in the form of nonqualified allocated equity distributions.

In November 2013 the association evaluated its capital position and retired $42,663 in non-qualified allocated equities. These equities represented $8,732, $16,026, and $17,905 from those allocated in 2006, 2007 and 2008, respectively. In November 2012, as part of the evaluation of its capital position, the association retired $55,000 in non-qualified allocated equities. These equities represented $11,327, $20,694, and $22,979 from those allocated in 2006, 2007 and 2008, respectively.

Business Acquisition

Effective February 28, 2014 the association entered into an agreement to purchase certain tangible and intangible assets of a sole proprietorship crop insurance business servicing the Winter Garden, Coastal Plains and Brazos Valley areas. The assets of this business were purchased for approximately $4.5 million. The association will utilize the acquisition to enhance the related services the association offers to its members. The accounting for this transaction was finalized in the second quarter 2014, and is included in other assets in the accompanying Consolidated Balance Sheet.

Loan Portfolio

Total loan volume was $5,545,763 at June 30, 2014. This compares with loan volume owned by the association at December 31, 2013 of $5,380,398. This represents an increase of $165,365, or approximately 3.1 percent. Most of this increase was realized in the real estate mortgage segment as more buyers return to the rural real estate market. The remainder of the increase in loan volume is attributed to growth in the production, rural residential real estate and agribusiness portfolios. The association has increased its marketing efforts and implemented new loan programs in an effort to continue to grow its loan portfolio.

The quality of the association's loan portfolio improved slightly with a $5,007 decrease in high-risk assets since the previous year's end. The following table summarizes the association's components and trends of high-risk assets:

	June 30, 2014	%	December 31, 2013	%
Nonaccrual loans	**$ 59,791**	**78.7**	$ 60,622	74.9
Loans 90 days past due and still accruing interest	**2,092**	**2.8**	2,248	2.8
Formally restructured loans	**9,751**	**12.8**	12,659	15.6
Other property owned, net	**4,325**	**5.7**	5,437	6.7
Total	**$ 75,959**	**100.0**	$ 80,966	100.0

Nonaccrual loans decreased $831 during the first six months of 2014. Most of this decrease was recognized in the production and agribusiness sector, which was somewhat offset by an increase in the real estate mortgage nonaccrual loans.

Loans that are 90 or more days past due and still accruing interest decreased $156 in the first six months of 2014. Loans that remain in this category are to customers that have a documented plan that details how and when the amount owed will be paid.

Formally restructured loans decreased $2,908 during the first six months of 2014 as a result of loan pay offs. The association is cooperating with distressed borrowers to work through temporary repayment problems, where possible. These restructurings may include a modification of loan terms to accommodate the financial difficulties of the customer.

Other property owned decreased $1,112 during the first six months of 2014. The association is actively working with real estate professionals to ensure properties are accurately valued on the association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with problem customers and industries through periods of adversity.

Results of Operations

The association's net income for the six months ended June 30, 2014 was $73,784 as compared to $69,243 for the six months ended June 30, 2013, an increase of $4,541, or 6.6 percent.

The improvement in net income was affected by an increase in net interest income, an increase in noninterest income, a decrease in the provision for loan losses, offset by an increase in noninterest expense. Net interest income increased by $3,614 during the first six months of 2014 compared to the same time period for 2013. An increase in average loan volume and higher average capital was the catalyst for the improvement in net interest income. Noninterest income increased $1,540 during the first six months of 2014 compared to the same time period of 2013. The increase in noninterest income was mainly attributed to income generated by the recently acquired crop insurance business. In addition, provision for loan losses decreased $4,764 due to a provision reversal of $4,358 recognized in the six months ended June 30, 2014. The reversal was mainly attributed to credit quality improvement in transitional property loans as demand for development property resulted in improved values of underlying collateral for these loans. Net income was negatively affected by an increase in noninterest expenses of $5,375.

The effects of changes in average volume and interest rates on net interest income in the six months ended June 30, 2014, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the six months ended June 30, 2014		For the six months ended June 30, 2013	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 5,396,683**	**$ 134,501**	$ 5,118,875	$ 129,392
Interest-bearing liabilities	**4,553,671**	**42,286**	4,356,040	40,791
Impact of capital	**$ 843,012**		$ 762,835	
Net interest income		**$ 92,215**		$ 88,601

	Average Yield	Average Yield
Yield on loans	**5.03%**	5.10%
Cost of interest-bearing Liabilities	**1.87%**	1.89%
Net interest margin	**3.16%**	3.21%

	2014 vs. 2013		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 7,021**	**$ (1,912)**	**$ 5,109**
Interest expense	**1,851**	**(356)**	**1,495**
Net interest income	**$ 5,170**	**$ (1,556)**	**$ 3,614**

The association's noninterest income increased from $9,826 in the first six months of 2013 to $11,366 in the first six months of 2014. The majority of this difference is the result of an increase in other income of $1,161, as the association recognized income generated by its recently acquired crop insurance business.

Noninterest expenses increased $5,375, or 18.9 percent in the first six months of 2014 as compared to the same time period in 2013. This increase is primarily attributable to an increase of $3,184 in salary and employee benefits. There was an increase of 44 full-time employees as compared to the same time period in 2013, as the association hires staff in anticipation of pending retirements, new business initiatives to support future business growth and additional regulatory compliance. In addition, the association had an increase in other expenses of $744 partially due to the increases in amortization and depreciation related to software and hardware purchases that will help support the lending and training programs of the association. All other noninterest expenses increased $1,447 for the first six months of 2014 as the association implemented new technology and increased spending for public and member relations to continue to spur growth in its loan portfolio.

Liquidity and Funding Sources

The interest rate risk inherent in the association's loan portfolio is substantially mitigated through the funding relationship with the FCB. The FCB manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the association is a direct loan from the FCB. The association had an outstanding balance of $4,646,744 at June 30, 2014, as compared to $4,466,210 at December 31, 2013. This increase in note payable to the FCB since December 2013 is the result of the increase in the association's loan portfolio. The direct loan carried a weighted average interest rate of 1.87 percent for the six months ended June 30, 2014 and for the year ended December 31, 2013. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the FCB and is governed by a financing agreement.

Under the Act, the association is obligated to borrow only from the FCB unless the FCB approves borrowing from other funding sources. The FCB and FCA regulations have established limitations on the association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At June 30, 2014 the association's note payable was within the specified limitations. The maximum amount the association could borrow from the FCB as of June 30, 2014, was $5,511,881, as defined by the general financing agreement. This borrowing limit changes as the borrowing base increases or decreases. In general the FCB funds 100 percent of all eligible acceptable and special mention loans and 75 percent of all eligible substandard loans.

The liquidity policy of the association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2014. As borrower payments are received they are applied to the association's note payable with the FCB.

The association will continue to fund its operations through direct borrowings from the FCB, retained earnings, member stock and funds held in trust. It is management's opinion that funds available to the association are sufficient to fund its operations for the next twelve months.

Capital Resources

The association's capital position remains strong, with total capital of $1,026,329 at June 30, 2014. This represents an increase of $73,733 from the December 31, 2013 total capital level of $952,596. This increase in capital is a direct result of the association's net income for the period. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The association's permanent capital ratio at June 30, 2014 was 15.99 percent. The association's core surplus ratio and total surplus ratio at June 30, 2014 were 15.65 percent and 15.65 percent, respectively, which is in compliance with the FCA's minimum ratio requirements of 3.5 percent and 7.0 percent, respectively.

FCA Final Rule

On March 31, 2014, the FCA published the interim final rule (79 FR 17854) removing the FCA regulatory requirement that associations hold non-binding advisory votes on senior officer compensation when 5 percent of the voting stockholders petition for the vote, and that Farm Credit banks and associations hold non-binding advisory votes on senior officer compensation if senior officer compensation increased by 15 percent or more from the previous reporting period. FCA determined that no changes to the interim final rule were warranted and adopted as a final rule the interim final rule, which removed from parts 611, 620, and 630 the requirement for advisory voting.

Relationship with the Farm Credit Bank of Texas

The association's statutory obligation to borrow only from the FCB is described in the section "Liquidity and Funding Sources" of the Management's Discussion and Analysis, included in this quarterly report.

The FCB's role in mitigating the association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis," included in this quarterly report.

The FCB provides computer systems to support the critical operations of the association. The association also has operating systems and facility-based systems that are not supported by the FCB. The FCB also provides other services the association can utilize.

The association's financial condition may be impacted by factors that affect the FCB as discussed in Note 1 to the consolidated financial statements, "Organization and Significant Accounting Policies," included in this quarterly report. The financial condition and results of operations of the FCB may materially affect the stockholders' investment in the association.

The Tenth Farm Credit District's (District) annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P. O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the District's annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The District's annual and quarterly stockholder reports are also available on its Website at *www.farmcreditbank.com*.

The association's annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the association's quarterly and annual stockholder reports are also available on its Website at *www.capitalfarmcredit.com* or can be requested by e-mailing *isela.morales@capitalfarmcredit.com*.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Loans	$ 5,545,763	$ 5,380,398
Less: Allowance for losses	(14,973)	(19,526)
Net loans	5,530,790	5,360,872
Cash	121	1,014
Accrued interest receivable - loans	47,109	44,023
Accrued interest receivable - investments	235	223
Investments – held-to-maturity	12,548	14,864
Investment in and receivable from the FCB:		
Capital stock	87,900	87,900
Receivable	12,409	11,516
Investments in other Farm Credit Institutions	4,022	3,221
Other property owned, net	4,325	5,437
Premises and equipment, net	15,566	14,928
Other assets	13,505	7,013
Total assets	$ 5,728,530	$ 5,551,011
LIABILITIES		
Note payable to the FCB	$ 4,646,744	$ 4,466,210
Advanced conditional payments	10,453	6,855
Accrued interest payable	7,186	7,085
Drafts outstanding	2,213	5,557
Patronage distributions payable	9	65,486
Unfunded post retirement medical obligation	18,422	18,030
Other liabilities	17,174	29,192
Total liabilities	4,702,201	4,598,415
MEMBERS' EQUITY		
Capital stock and participation certificates	22,959	22,651
Non-qualified allocated retained earnings	376,407	376,634
Unallocated retained earnings	625,133	551,319
Accumulated other comprehensive income	1,830	1,992
Total members' equity	1,026,329	952,596
Total liabilities and members' equity	$ 5,728,530	$ 5,551,011

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Dollars in thousands)
(UNAUDITED)

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	**For the six months ended June 30, 2014**	For the six months ended June 30, 2013
INTEREST INCOME				
Loans	**$ 67,889**	$ 64,534	**$ 134,177**	$ 128,985
Investments	**158**	200	**324**	407
Total interest income	**68,047**	64,734	**134,501**	129,392
INTEREST EXPENSE				
Note payable to the FCB and others	**21,599**	20,480	**42,286**	40,791
Net interest income	**46,448**	44,254	**92,215**	88,601
PROVISION FOR LOAN LOSSES				
Provision for (reversal of) loan losses	**(3,783)**	(986)	**(4,358)**	406
Net interest income after provision for losses	**50,231**	45,240	**96,573**	88,195
NONINTEREST INCOME				
Patronage income from the FCB	**3,868**	3,678	**7,618**	7,282
Loan fees	**749**	936	**1,229**	1,878
Gain (loss) on other property owned, net	**240**	(249)	**416**	(276)
Other income	**1,734**	378	**2,103**	942
Total noninterest income	**6,591**	4,743	**11,366**	9,826
NONINTEREST EXPENSES				
Salaries and employee benefits	**8,823**	7,580	**18,237**	15,053
Farm Credit System insurance premium	**1,290**	1,042	**2,550**	2,066
Pension plan funding expense	**944**	1,144	**1,888**	2,287
Occupancy and equipment	**923**	788	**2,018**	1,804
Advertising	**816**	533	**1,597**	997
Travel	**702**	654	**1,255**	1,207
Purchased services and allocations	**650**	362	**1,122**	814
Public and member relations	**554**	617	**1,323**	1,186
Communications	**317**	289	**601**	545
FCA supervisory and exam expense	**306**	309	**612**	618
Directors’ expense	**208**	217	**435**	430
Other expenses	**1,178**	1,054	**2,504**	1,760
Total noninterest expenses	**16,711**	14,589	**34,142**	28,767
Income before federal income tax	**40,111**	35,394	**73,797**	69,254
Federal income tax	**8**	5	**13**	11
NET INCOME	**$ 40,103**	$ 35,389	**$ 73,784**	$ 69,243
Other comprehensive loss:				
Change in postretirement benefit plans	**(81)**	(38)	**(162)**	(75)
Income tax expense related to items of other comprehensive income	**-**	-	**-**	-
Other comprehensive loss, net of tax	**(81)**	(38)	**(162)**	(75)
COMPREHENSIVE INCOME	**$ 40,022**	$ 35,351	**$ 73,622**	$ 69,168

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Retained Earnings Non-qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2012	$ 22,145	$ 322,883	$ 568,362	$ (1,545)	$ 911,845
Net income	-	-	69,243	-	69,243
Other comprehensive loss	-	-	-	(75)	(75)
Capital stock/participation certificates issued	1,786	-	-	-	1,786
Capital stock/participation certificates/ allocated equities retired	(1,575)	-	-	-	(1,575)
Nonqualified allocations	-	-	-	-	-
Other adjustments	-	(88)	102	-	14
Balance at June 30, 2013	22,356	322,795	637,707	(1,620)	981,238
Net income	-	-	75,600	-	75,600
Other comprehensive gain	-	-	-	3,612	3,612
Capital stock/participation certificates issued	1,744	-	-	-	1,744
Capital stock/participation certificates/ allocated equities retired	(1,449)	(42,663)	-	-	(44,112)
Reclassification	-	17,525	(17,525)	-	-
Patronage distributions declared:					
Cash	-	-	(65,486)	-	(65,486)
Nonqualified allocations	-	78,875	(78,875)	-	-
Other adjustments	-	102	(102)	-	-
Balance at December 31, 2013	22,651	376,634	551,319	1,992	952,596
Net income	-	-	73,784	-	73,784
Other comprehensive loss	-	-	-	(162)	(162)
Capital stock/participation certificates issued	1,760	-	-	-	1,760
Capital stock/participation certificates/ allocated equities retired	(1,452)	-	-	-	(1,452)
Other adjustments	-	(227)	30	-	(197)
Balance at June 30, 2014	**$ 22,959**	**$ 376,407**	**$ 625,133**	**$ 1,830**	**$ 1,026,329**

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

CAPITAL FARM CREDIT, ACA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called the "association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders (farmers, ranchers, rural home owners and certain farm-related businesses) for qualified agricultural purposes in 192 counties in the state of Texas.

The association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act.)

A description of the organization and operations of the association, the significant accounting policies followed, and the financial condition and results of operations as of December 31, 2013 are contained in the 2013 Annual Report to Stockholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013 as contained in the 2013 Annual Report to Stockholders.

The Farm Credit Bank of Texas (FCB) and its related associations are collectively referred to as the "District." The association's financial condition may be affected by factors that affect the FCB. The financial condition and results of operations of the FCB may materially affect stockholders' investment in the association. Upon request, stockholders of the association will be provided the Tenth Farm Credit District's Annual Report to Stockholders, which includes the combined financial statements of the FCB and all of the District associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the FCB and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Farm Credit System Insurance Corporation.

In the opinion of management, the unaudited financial information is complete and reflects, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2014. Descriptions of the significant accounting policies are included in the 2013 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The guidance requires entities to present, either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012 and for non-public entities for annual periods beginning after December 15, 2013. The association implemented this guidance effective with its 2013 annual report, and the adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures.

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

NOTE 2 — INVESTMENTS:

Investments Held-to-Maturity

The association's held-to-maturity investment consists of Farmer Mac guaranteed agricultural mortgage-backed securities (AMBS). A summary of the amortized cost and fair value of investment securities held-to-maturity is as follows:

June 30, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 12,548	$ 143	$ -	$ 12,691	4.96%	3.29

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 14,864	$ 27	$ -	$ 14,891	4.77%	3.52

The Farmer Mac AMBS were received in exchange for mortgage loans which were previously covered under the long-term standby commitment to purchase agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions. The association continues to service the loans included in the transaction.

NOTE 3 — BUSINESS ACQUISITION:

Effective February 28, 2014 the association entered into an agreement to purchase certain tangible and intangible assets of a sole proprietorship crop insurance business servicing the Winter Garden, Coastal Plains and Brazos Valley areas. The assets of this business were purchased for approximately $4.5 million. The association will utilize the acquisition to enhance the related services the association offers to its members. The accounting for this transaction was finalized in the second quarter 2014 and is included in other assets in the accompanying Consolidated Balance Sheet.

NOTE 4 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry	**June 30, 2014**	**%**	December 31, 2013	%
Production agriculture:				
Real estate mortgage	**$ 4,399,019**	**79.3**	$ 4,279,805	79.5
Production and intermediate term	**546,959**	**9.9**	530,522	9.9
Agribusiness	**381,128**	**6.9**	373,129	6.9
Rural residential real estate	**110,902**	**1.9**	99,753	1.9
Energy	**48,275**	**0.9**	42,998	0.8
Communication	**41,073**	**0.7**	34,911	0.6
Mission related investments	**11,464**	**0.2**	11,617	0.2
Lease receivables	**3,919**	**0.1**	4,092	0.1
Water and waste disposal	**3,024**	**0.1**	3,571	0.1
Total	**$ 5,545,763**	**100.0**	$ 5,380,398	100.0

At June 30, 2014, the association held seven transactions, which are reported as loans on the consolidated balance sheet totaling $9,617 and with $44 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold as of June 30, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 107,813	$ 54,061	$ 2,642	$ -	$ 110,455	$ 54,061
Production and intermediate term	102,946	16,764	-	-	102,946	16,764
Agribusiness	256,126	19,646	1,971	-	258,097	19,646
Communication	41,073	-	-	-	41,073	-
Energy	48,275	-	-	-	48,275	-
Water and waste disposal	3,024	-	-	-	3,024	-
Lease receivables	3,919	-	-	-	3,919	-
Mission related investments	5,199	-	4,418	-	9,617	-
Total	$ 568,375	$ 90,471	$ 9,031	$ -	$ 577,406	$ 90,471

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	June 30, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	**$ 43,960**	$ 42,188
Production and intermediate-term	**10,541**	10,677
Agribusiness	**5,040**	7,272
Residential Real Estate	**211**	437
Lease receivable	**39**	48
Total nonaccrual loans	**$ 59,791**	$ 60,622
Accruing restructured loans:		
Real estate mortgage	**$ 4,955**	$ 7,932
Production and intermediate-term	**2,471**	2,471
Mission related investments	**2,336**	2,355
Residential real estate	**88**	-
Total accruing restructured loans	**$ 9,850**	$ 12,758
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 2,159**	$ 399
Production and intermediate-term	**1**	1,902
Total accruing loans 90 days or more past due	**$ 2,160**	$ 2,301
Total nonperforming loans	**$ 71,801**	$ 75,681
Other property owned	**4,325**	5,437
Total nonperforming assets	**$ 76,126**	$ 81,118

One credit quality indicator utilized by the association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2014	December 31, 2013
Real estate mortgage		
Acceptable	**97.1%**	97.0%
OAEM	**1.1%**	1.0%
Substandard/doubtful	**1.8%**	2.0%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	**93.5%**	92.3%
OAEM	**2.7%**	3.1%
Substandard/doubtful	**3.8%**	4.6%
	100.0%	100.0%
Agribusiness		
Acceptable	**93.8%**	92.9%
OAEM	**3.8%**	3.0%
Substandard/doubtful	**2.4%**	4.1%
	100.0%	100.0%
Energy		
Acceptable	**95.5%**	89.4%
OAEM	**-**	-
Substandard/doubtful	**4.5%**	10.6%
	100.0%	100.0%
Water and waste disposal		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Communication		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Rural residential real estate		
Acceptable	**97.6%**	97.4%
OAEM	**1.6%**	1.5%
Substandard/doubtful	**0.8%**	1.1%
	100.0%	100.0%
Lease receivables		
Acceptable	**92.8%**	92.3%
OAEM	**6.0%**	6.3%
Substandard/doubtful	**1.2%**	1.4%
	100.0%	100.0%
Mission related investments		
Acceptable	**96.9%**	97.1%
OAEM	**-**	-
Substandard/doubtful	**3.1%**	2.9%
	100.0%	100.0%
Total Loans		
Acceptable	**96.5%**	96.2%
OAEM	**1.4%**	1.3%
Substandard/doubtful	**2.1%**	2.5%
	100.0%	100.0%

The following table provides an age analysis of past due loans (including accrued interest) as of:

June 30, 2014	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	Loans > 90 Days and Accruing
Real estate mortgage	$ 35,298	$27,238	$ 62,536	$ 4,356,798	4,419,334	$ 2,159
Production and intermediate term	5,108	4,348	9,456	547,100	556,556	1
Agribusiness	48	3,046	3,094	379,489	382,583	-
Communication	-	-	-	41,126	41,126	-
Energy	-	-	-	48,323	48,323	-
Water and waste disposal	-	-	-	3,025	3,025	-
Rural residential real estate	1,222	-	1,222	125,095	126,317	-
Lease receivables	-	-	-	4,014	4,014	-
Mission related investments	-	-	-	11,594	11,594	-
Total	$ 41,676	$34,632	$ 76,308	$ 5,516,564	$5,592,872	$ 2,160

December 31, 2013	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	Loans > 90 Days and Accruing
Real estate mortgage	$ 19,401	$18,283	$ 37,684	$ 4,260,949	$4,298,633	$ 399
Production and intermediate term	7,067	3,998	11,065	526,797	537,862	1,902
Agribusiness	1,087	2,238	3,325	371,223	374,548	-
Communication	-	-	-	34,958	34,958	-
Energy	-	-	-	43,028	43,028	-
Water and waste disposal	-	-	-	3,573	3,573	-
Rural residential real estate	418	201	619	115,269	115,888	-
Lease receivables	-	-	-	4,187	4,187	-
Mission related investments	-	-	-	11,744	11,744	-
Total	$ 27,973	$24,720	$ 52,693	$ 5,371,728	$5,424,421	$ 2,301

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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of June 30, 2014 the total troubled debt restructured loans was $12,627, including $2,777 classified as nonaccrual and $9,850 classified as accrual, with specific allowance for loan losses of $139. As of June 30, 2014 commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $47.

The following table presents additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation that occurred. Balance of Pre-TDR designation represents quarter-end loans just prior to restructuring and post-TDR represents the quarter-end loans immediately following the restructuring.

	Troubled Debt Restructuring Activity			
	2014		2013	
Quarter ended June 30:	Pre-TDR Designation Balance	Post-TDR Designation Balance	Pre-TDR Designation Balance	Post-TDR Designation Balance
Production and intermediate term	$ -	$ -	$ 83	$ 83
Total	$ -	$ -	$ 83	$ 83
Six months ended June 30:				
Real Estate Mortgage	$ -	$ -	$ 347	$ 344
Production and intermediate term	10	10	83	83
Rural residential real estate	94	91	-	-
Total	$ 104	$ 101	$ 430	$ 427

The association had no loans that met the accounting criteria as a troubled debt restructuring and that occurred during the previous twelve months, and for which there was a payment default during that same period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

Additional impaired loan information is as follows:

	At June 30, 2014			At December 31, 2013		
	Loan Balance	Unpaid Principal Balance[a]	Related Specific Allowance	Loan Balance	Unpaid Principal Balance[a]	Related Specific Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage	$ 1,598	$ 1,795	$ 214	$ 14,719	$ 20,288	$ 2,042
Production and intermediate term	8,776	8,981	2,293	6,796	7,029	1,291
Agribusiness	1,789	3,800	246	4,069	7,096	1,047
Rural residential real estate	3	54	1	-	-	-
Lease receivables	-	-	-	-	-	-
Mission related investments	2,313	2,313	78	2,331	2,331	78
Total	$ 14,479	$ 16,943	$ 2,832	$ 27,915	$ 36,744	$ 4,458
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	$ 49,394	$ 55,993	$ -	$ 35,759	$ 37,060	$ -
Production and intermediate term	4,176	7,804	-	8,167	13,742	-
Agribusiness	3,250	21,103	-	3,202	21,142	-
Rural residential real estate	295	471	-	438	524	-
Lease receivables	39	39	-	48	48	-
Total	$ 57,154	$ 85,410	$ -	$ 47,614	$ 72,516	$ -
Total impaired loans:						
Real estate mortgage	$ 50,992	$ 57,788	$ 214	$ 50,478	$ 57,348	$ 2,042
Production and intermediate term	12,952	16,785	2,293	14,963	20,771	1,291
Agribusiness	5,039	24,903	246	7,271	28,238	1,047
Rural residential real estate	298	525	1	438	524	-
Lease receivables	39	39	-	48	48	-
Mission related investments	2,313	2,313	78	2,331	2,331	78
Total	$ 71,633	$ 102,353	$ 2,832	$ 75,529	$ 109,260	$ 4,458

[a]Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2014		June 30, 2013		June 30, 2014		June 30, 2013	
	Average Impaired Loans**	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans**	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:								
Real estate mortgage	$ 10,175	$ -	$ 17,134	$ -	$ 12,440	$ -	$ 17,475	$ 4
Production and intermediate term	7,246	2	2,092	5	7,014	37	2,293	10
Agribusiness	1,685	-	11,952	-	2,125	-	14,954	
Communication	-	-	218	-	-	-	451	
Rural residential real estate	1	-	84	-	15	-	144	
Lease receivables	-	-	-	-	-	-	-	
Mission related investments	2,327	36	-	-	2,329	72	-	
Total	$ 21,434	$ 38	$ 31,480	$ 5	$ 23,923	$ 109	$ 35,317	$ 14
Impaired loans with no related allowance for loan losses:								
Real estate mortgage	$ 41,489	$ 97	$ 45,340	$ 197	$ 39,250	$ 305	$ 48,223	$ 526
Production and intermediate term	5,721	41	6,111	43	5,823	160	6,230	170
Agribusiness	3,476	20	5,180	39	3,397	41	6,634	76
Rural residential real estate	359	3	1,010	6	401	4	757	12
Lease receivables	41	-	56	-	43	-	58	-
Total	$ 51,086	$ 161	$ 57,697	$ 285	$ 48,914	$ 510	$ 61,902	$ 784
Total impaired loans:								
Real estate mortgage	$ 51,664	$ 97	$ 62,474	$ 197	$ 51,690	$ 305	$ 65,698	$ 530
Production and intermediate term	12,967	43	8,203	48	12,837	197	8,523	180
Agribusiness	5,161	20	17,132	39	5,522	41	21,588	76
Communication	-	-	218	-	-	-	451	-
Rural residential real estate	360	3	1,094	6	416	4	901	12
Lease receivables	41	-	56	-	43	-	58	-
Mission related investments	2,327	36	-	-	2,329	72	-	-
Total	$ 72,520	$ 199	$ 89,177	$ 290	$ 72,837	$ 619	$ 97,219	$ 798

**Average loans are not deemed to be changed for one day’s activity.

A summary of changes in the allowance for loan losses and the ending balance including accrued interest of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and water/waste water	Rural Residential Real Estate	Lease Receivable	Mission Related Investments	Total
Allowance for loan losses:									
Balance at March 31, 2014	$ 10,439	$ 5,868	$ 1,831	$ 98	$ 317	$ 216	$ 28	$ 102	$ 18,899
Charge-offs	(55)	(88)	(51)	-	-	(74)	-	-	(268)
Recoveries	71	-	54	-	-	-	-	-	125
Provision for loan losses	(4,710)	958	(47)	27	(10)	11	(1)	(11)	(3,783)
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Balance at June 30, 2014	$ 5,745	$ 6,738	$ 1,787	$ 125	$ 307	$ 153	$ 27	$ 91	$ 14,973
Balance at December 31, 2013	$ 9,284	$ 4,968	$ 4,326	$ 104	$ 502	$ 211	$ 26	$ 105	$ 19,526
Charge-offs	(124)	(143)	(51)	-	-	(74)	-	-	(392)
Recoveries	79	63	55	-	-	-	-	-	197
Provision for loan losses	(3,494)	1,850	(2,543)	21	(195)	16	1	(14)	(4,358)
Balance at June 30, 2014	$ 5,745	$ 6,738	$ 1,787	$ 125	$ 307	$ 153	$ 27	$ 91	$ 14,973
Allowance for loan losses: Ending Balance at June 30, 2014									
Individually evaluated for impairment	$ 214	$ 2,293	$ 246	$ -	$ -	$ 1	$ -	$ 78	$ 2,832
Allowance for loan losses: Collectively evaluated for impairment	$ 5,531	$ 4,445	$ 1,541	$ 125	$ 307	$ 152	$ 27	$ 13	$ 12,141
Balance at March 31, 2013	$ 9,817	$ 4,153	$ 13,073	$ 537	$ 423	$ 201	$ 7	$ 35	$ 28,246
Charge-offs	(385)	(21)	(522)	-	-	(10)	-	-	(938)
Recoveries	4	39	129	-	-	-	-	-	172
Provision for loan losses	1,880	291	(2,688)	(449)	35	(53)	(1)	(1)	(986)
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Balance at June 30, 2013	$ 11,316	$ 4,462	$ 9,992	$ 88	$ 458	$ 138	$ 6	$ 34	$ 26,494
Balance at December 31, 2012	$ 11,120	$ 4,362	$ 15,170	$ 554	$ 410	$ 170	$ 7	$ 24	$ 31,817
Charge-offs	(534)	(32)	(5,509)	-	-	(10)	-	-	(6,085)
Recoveries	14	73	270	-	-	-	-	-	357
Provision for loan losses	716	59	61	(466)	48	(22)	(1)	10	405
Balance at June 30, 2013	$ 11,316	$ 4,462	$ 9,992	$ 88	$ 458	$ 138	$ 6	$ 34	$ 26,494
Allowance for loan losses: Ending Balance at December 31, 2013									
individually evaluated for impairment	$ 2,042	$ 1,291	$ 1,047	$ -	$ -	$ -	$ -	$ 78	$ 4,458
Allowance for loan losses: collectively evaluated for impairment	$ 7,242	$ 3,677	$ 3,279	$ 104	$ 502	$ 211	$ 26	$ 27	$ 15,068
Loans, including accrued interest:									
Ending Balance at June 30, 2014	$ 4,419,334	$ 556,555	$ 382,584	$ 41,126	$ 51,348	$ 126,317	$ 4,014	$ 11,594	$ 5,592,872
Ending balance for loans Individually evaluated for impairment	$ 50,992	$ 12,952	$ 5,039	$ -	$ -	$ 298	$ 39	$ 2,313	$ 71,633
Ending balance for loans Collectively evaluated for impairment	$ 4,368,342	$ 543,603	$ 377,545	$ 41,126	$ 51,348	$ 126,019	$ 3,975	$ 9,281	$ 5,521,239
Ending Balance at December 31, 2013	$ 4,298,633	$ 537,862	$ 374,548	$ 34,958	$ 46,601	$ 115,888	$ 4,187	$ 11,744	$ 5,424,421
Ending balance for loans individually evaluated for impairment	$ 50,478	$ 14,963	$ 7,271	$ -	$ -	$ 438	$ 48	$ 2,331	$ 75,529
Ending balance for loans collectively evaluated for impairment	$ 4,248,155	$ 522,899	$ 367,277	$ 34,958	$ 46,601	$ 115,450	$ 4,139	$ 9,413	$ 5,348,892

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value 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. See Note 14 "Fair Value Measurements" of the 2013 Annual Report to stockholders for a more complete description.

Assets held in nonqualified benefits trusts related to deferred compensation and supplemental retirement plans are classified as Level 1. Level 1 valuation utilizes quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The trust funds include investments that are actually traded and have quoted net assets values that are quoted in the marketplace. These assets are measured at fair value on a recurring basis and are summarized below:

	Total Fair Value June 30, 2014	Total Fair Value December 31, 2013
Beginning Balance	**$ 4,402**	**$ 2,937**
Transfers In	**217**	**828**
Other Market Changes	**153**	**637**
Assets held in non-qualified benefits trusts	**$ 4,772**	**$ 4,402**

Sensitivity to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider 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.

With regard to impaired loans and other property owned generally classified as Level 3 and evaluated for impairment, it is not practicable to provide specific information on inputs as each collateral property is unique. The association utilizes appraisals to value these loans and other property owned and take into account unobservable inputs such as, income and expense, comparable sales, replacement cost and comparability adjustments.

These assets are measured at fair value on a nonrecurring basis and are summarized below:

	Total Fair Value June 30, 2014	Total Fair Value December 31, 2013
Impaired Loans	**$ 11,647**	$ 23,457
Other property owned	**4,325**	5,437
Total	**$ 15,972**	$ 28,894

NOTE 6 — MEMBERS EQUITY:

The board of directors approved a $144,361 patronage distribution for 2013 for all patronage sourced earnings. At year end the association established an estimated cash patronage payable of $65,486 and $78,875 in nonqualified allocations. In March 2014 the association finalized the computation of these distributions which resulted in a reduction in cash patronage payable of $30 for an actual cash distribution of $65,456. In addition, nonqualified allocations were also adjusted by a reduction of $227 resulting in an actual allocation of $78,648. The owners of these nonqualified distributions do not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. In 2012, the board of directors approved a $138,334 patronage distribution for 2012. $42,133 of this distribution was paid in cash in March 2013. $96,201 of this distribution was made in the form of nonqualified allocated equity distributions.

In November 2013 the association evaluated its capital position and retired $42,663 in non-qualified allocated equities. These equities represented $8,732, $16,026, and $17,905 from those allocated in 2006, 2007 and 2008, respectively. In November 2012, as part of the evaluation of its capital position, the association retired $55,000 in non-qualified allocated equities. These equities represented $11,327, $20,694, and $22,979 from those allocated in 2006, 2007 and 2008, respectively.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The association expects to contribute $3,777 to its pension plan in 2014, which will be $797 less than the 2013 contribution. Pension plan funding expense was $1,888 and $2,287 for the six months ended June 30, 2014 and 2013 respectively.

NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through August 4, 2014 which is the date the financial statements were issued and there are no significant events requiring disclosure as of this date.