ALABAMA AG CREDIT, ACA

2014
Quarterly Report
First Quarter

For the Quarter Ended March 31, 2014

REPORT OF MANAGEMENT

The consolidated financial statements of Alabama Ag Credit, ACA (Association) are prepared by management, who are 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' (Bank) 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 financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, 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 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 system of internal controls and financial reporting. The audit committee consults regularly with management and meets periodically with the independent auditors and the internal auditor to review the scope and results of their work. The independent auditors and internal auditor have direct access to the audit committee.

The undersigned certify that, to the best of our knowledge and belief, the consolidated financial statements and other financial information included in this quarterly report reliably present the financial condition of Alabama Ag Credit, ACA and the results of its operations for the periods shown.

Douglas Thiessen, President/Chief Executive Officer
May 2, 2014

James L. Bassett, Chairman, Board of Directors
May 2, 2014

M. Scott Sellers, CPA, Sr. VP/Chief Financial Officer
May 2, 2014

J.K. Love, CPA, Chairman, Audit Committee
May 2, 2014

The following commentary reviews the financial performance of Alabama Ag Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended March 31, 2014. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2013 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Results of Operations:

The Association had net income of $3,030,332 for the three months ended March 31, 2014, as compared to net income of $3,701,012 for the same period in 2013, reflecting a decrease of 18.1 percent. Net interest income was $5,748,556 for the three months ended March 31, 2014, compared to $5,569,132 for the same period in 2013. Interest income for the three months ended March 31, 2014, increased by $207,716 or 2.5 percent from the same period of 2013, primarily due to declines in yields on earning assets offset by an increase in average loan volume. Interest expense for the three months ended March 31, 2014, increased by $28,292 or 1.0 percent from the same period of 2013 due to a decrease in interest rates offset by an increase in average debt volume.

Noninterest income for the three months ended March 31, 2014 decreased by $121,699, or 31.8 percent, over the same period of 2013. The decrease is due primarily to decreased loan fees that were collected during the first three months of 2014 as compared to the first three months of 2013.

Noninterest expenses for the three months ended March 31, 2014 increased by $387,338, or 16.0 percent, as compared to the same period in 2013. The increase is primarily due to increases in salaries and benefits, occupancy and equipment and losses on other property owned. Salaries and benefits cost increased as a result of a net increase of eight employees from the first quarter of 2013 through the first quarter of 2014. Occupancy and equipment costs increased due to the leasing of additional office space for the Association's administrative headquarters in late 2013. The Association recognized more in losses on sales or write-downs in value of other property owned in the first quarter of 2014 as compared to the first quarter of 2013.

The Association's provision for loan loss was $165,960 for the quarter ending March 31, 2014 as compared to a negative provision of $175,107 for the same period in 2013. The increase is due primarily to the Association being able to reduce allowance provisions related to one large credit in 2013. The overall number of substandard and impaired loans in the first three months of 2014 compared to the first three months of 2013 has remained steady. The Association recorded no recoveries and $25,336 in charge-offs for the quarter ending March 31, 2014, and no recoveries and $555,558 in charge-offs for the same period in 2013. The Association's allowance for loan losses was 0.5 percent and 0.6 percent of total loans outstanding as of March 31, 2014, and 2013, respectively.

Average loan volume for the first quarter of 2014 was $724,628,783, compared to $693,093,269 in the first quarter of 2013. The average net interest rate spread on the loan portfolio for the first quarter of 2014 was 2.83 percent, compared to 2.87 percent in the first quarter of 2013.

The Association's return on average assets for the three months ended March 31, 2014, was 1.65 percent compared to 2.11 percent for the same period in 2013. The Association's return on average equity for the three months ended March 31, 2014, was 8.75 percent, compared to 11.34 percent for the same period in 2013.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loans are available to eligible borrowers with competitive prime- and LIBOR-based, fixed and adjustable interest rates and loan maturities ranging up to 40 years. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with seasonal cash-flow capabilities of the borrower.

Total loans outstanding at March 31, 2014, stated at recorded investment (principal less funds held), were $725,863,985 compared to $725,591,784 at December 31, 2013, reflecting an increase of $272,201. Nonaccrual loans as a percentage of total loans outstanding were 1.7 percent at March 31, 2014, compared to 1.9 percent at December 31, 2013. The major commodities within the Association's portfolio are timber, field crops, cattle and poultry.

The following table reflects the credit quality of the Association's loan volume as of:

	March 31, 2014	December 31, 2013
Acceptable	**95.8%**	95.7%
OAEM	**1.4%**	1.3%
Substandard/doubtful	**2.8%**	3.0%
	100.0%	100.0%

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	March 31, 2014		December 31, 2013	
	Amount	**%**	Amount	%
Nonaccrual	**$ 12,254,806**	**84.5%**	$ 13,696,374	83.7%
90 days past due and still accruing interest	**66,443**	**0.5%**	103,173	0.6%
Formally restructured	**1,129,513**	**7.8%**	1,180,291	7.2%
Other property owned, net	**1,049,280**	**7.2%**	1,398,915	8.5%
Total	**$ 14,500,042**	**100.0%**	$ 16,378,753	100.0%

At March 31, 2014 loans that were considered impaired were $13,450,762, compared to $14,979,838 at December 31, 2013. This represents 1.9 percent and 2.1 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net. While the total number of nonaccrual loans as of March 31, 2014 remained relatively consistent compared to December 31, 2013, the primary reason for the decrease in volume is attributable to four credits that were paid down during the first quarter of 2014.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations. The following schedule summarizes the Association's borrowings.

	March 31, 2014	December 31, 2013
Note payable to the bank	**$ 593,772,460**	$ 594,831,348
Accrued interest on note payable	**960,701**	966,859
Total	**$ 594,733,161**	$ 595,798,207

Capital Resources:

The Association's capital position increased by $3,052,189 at March 31, 2014, compared to December 31, 2013. The Association's debt as a ratio of members' equity was 4.27:1 as of March 31, 2014, compared to 4.41:1 as of December 31, 2013.

In December 2013, the board declared a $6,100,000 cash patronage to be paid to stockholders from the Association's 2013 earnings. The patronage distribution was completed in March 2014.

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 March 31, 2014, was 17.9 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at March 31, 2014, were 17.4 and 17.4 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

Information regarding significant recent accounting pronouncements, required to be disclosed, is incorporated herein by reference to Note 1 to the consolidated financial statements, "Organization and Significant Accounting Policies," included in this quarterly report.

Relationship With the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2013 Annual Report of Alabama Ag Credit, ACA more fully describe the Association's relationship with the Bank.

The Texas Farm Credit District's (District) annual and quarterly stockholder reports, as well as those of the Bank, 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, or by calling (512) 483-9204. Copies of the District's quarterly and annual stockholder reports also can be requested by e-mail at *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports for the Bank and the District 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. The quarterly reports will be available on the Association's website at *www.AlabamaAgCredit.com* approximately 40 days after quarter end and can also be obtained by writing to Alabama Ag Credit, ACA, 2660 EastChase Lane, Suite 401, Montgomery, Alabama, 36117 or calling (334) 270-8687. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *Andra.Wolf@AlabamaAgCredit.com* The Association's annual stockholder report is available on its website 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash	**$ 10,400**	$ 11,729
Loans	**725,863,985**	725,591,784
Less: allowance for loan losses	**3,682,415**	3,541,791
Net loans	**722,181,570**	722,049,993
Accrued interest receivable	**6,198,141**	6,066,149
Investment in and receivable from the Bank:		
Capital stock	**11,547,290**	11,547,290
Accrued patronage receivable	**144,000**	113,946
Other	**981,283**	5,242,030
Other property owned, net	**1,049,280**	1,398,915
Premises and equipment	**3,594,109**	3,183,662
Other assets	**801,151**	409,022
Total assets	**$ 746,507,224**	**$ 750,022,736**
LIABILITIES		
Note payable to the Bank	**$ 593,772,460**	$ 594,831,348
Accrued interest payable	**960,701**	966,859
Drafts outstanding	**2,614,337**	5,066,414
Patronage distributions payable	**29,789**	6,100,071
Other liabilities	**7,352,413**	4,332,709
Total liabilities	**604,729,700**	611,297,401
MEMBERS' EQUITY		
Capital stock and participation certificates	**3,537,295**	3,521,035
Unallocated retained earnings	**138,343,727**	135,313,229
Accumulated other comprehensive loss	**(103,498)**	(108,929)
Total members' equity	**141,777,524**	138,725,335
Total liabilities and members' equity	**$ 746,507,224**	$ 750,022,736

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
INTEREST INCOME		
Loans	**$ 8,551,689**	$ 8,343,973
INTEREST EXPENSE		
Note payable to the Bank	**2,803,133**	2,774,841
Net interest income	**5,748,556**	5,569,132
PROVISION FOR LOAN LOSSES		
Provision (negative provision) for loan losses	**165,960**	(175,107)
Net income after provision for losses	**5,582,596**	5,744,239
NONINTEREST INCOME		
Patronage income from the Bank	**193,835**	196,250
Loan fees	**51,839**	119,132
Financially related services income	**315**	691
Gain (loss) on sale of premises and equipment, net	**15,467**	(20)
Other noninterest income	**-**	67,102
Total noninterest income	**261,456**	**383,155**
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,638,536**	1,487,555
Directors' expense	**80,191**	89,775
Purchased services	**85,162**	75,111
Travel	**115,483**	96,249
Occupancy and equipment	**184,925**	99,921
Communications	**81,198**	31,880
Advertising	**57,459**	74,152
Public and member relations	**69,895**	66,248
Supervisory and exam expense	**55,717**	57,654
Insurance Fund premiums	**264,356**	226,075
Other noninterest expense	**59,521**	48,846
Loss on other property owned, net	**121,277**	72,916
Total noninterest expenses	**2,813,720**	2,426,382
NET INCOME	**3,030,332**	3,701,012
Other comprehensive income:		
Change in postretirement benefit plans	**5,431**	5,680
COMPREHENSIVE INCOME	**$ 3,035,763**	$ 3,706,692

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2012	$ 4,073,445	$ 126,993,204	$ (578,099)	$ 130,488,550
Net income	-	3,701,012	-	3,701,012
Other comprehensive income	-	-	5,680	5,680
Capital stock/participation certificates issued	153,260	-	-	153,260
Capital stock/participation certificates retired	(121,650)	-	-	(121,650)
Patronage refunds:				
Change in patronage declared and paid	-	415	-	415
Balance at March 31, 2013	$ 4,105,055	$ 130,694,631	$ (572,419)	$ 134,227,267
Balance at December 31, 2013	$ 3,521,035	$ 135,313,229	$ (108,929)	$ 138,725,335
Net income	-	3,030,332	-	3,030,332
Other comprehensive income	-	-	5,431	5,431
Capital stock/participation certificates issued	105,795	-	-	105,795
Capital stock/participation certificates retired	(89,535)	-	-	(89,535)
Patronage refunds:				
Change in patronage declared and paid	-	166	-	166
Balance at March 31, 2014	**$ 3,537,295**	**$ 138,343,727**	**$ (103,498)**	**$ 141,777,524**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Alabama Ag Credit, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington and Wilcox in the state of Alabama. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by the Farm Credit Administration (FCA), associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These unaudited interim financial statements 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 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 February 2013, the 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 nonpublic entities for annual periods beginning after December 15, 2013. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures (See Note 6 – Employee Benefit Plans).

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The results for the quarter ended March 31, 2014, are not necessarily indicative of the results to be expected for the year ended December 31, 2014. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**March 31, 2014**	December 31, 2013
Production agriculture:		
Real estate mortgage	**$ 644,687,640**	$ 650,893,297
Production and intermediate term	**38,090,117**	36,421,021
Agribusiness:		
Loans to cooperatives	**3,845,703**	2,777,177
Processing and marketing	**24,378,979**	22,264,559
Farm-related business	**116,661**	158,200
Communication	**2,402,302**	950,170
Water and waste water	**647,970**	714,228
Rural residential real estate	**11,694,613**	11,413,132
Total	**$ 725,863,985**	$ 725,591,784

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 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	$ 2,476,800	$ 6,196,968	$ -	$ -	$ 2,476,800	$ 6,196,968
Production and intermediate term	1,959,390	-	-	-	1,959,390	-
Agribusiness	24,571,023	-	-	-	24,571,023	-
Communication	2,402,301	-	-	-	2,402,301	-
Water and waste water	647,970	-	-	-	647,970	-
Total	$ 32,057,484	$ 6,196,968	$ -	$ -	$ 32,057,484	$ 6,196,968

The Association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted ACPs are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $13,990,374 and $13,420,772 at March 31, 2014, and December 31, 2013, respectively.

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

	March 31, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	**$ 11,427,830**	$12,644,521
Production and intermediate term	**635,159**	826,498
Rural residential real estate	**191,817**	225,355
Total nonaccrual loans	**12,254,806**	13,696,374
Accruing restructured loans:		
Real estate mortgage	**1,129,513**	1,180,291
Total accruing restructured loans	**1,129,513**	1,180,291
Accruing loans 90 days or more past due:		
Real estate mortgage	**66,443**	103,173
Total accruing loans 90 days or more past due	**66,443**	103,173
Total nonperforming loans	**13,450,762**	14,979,838
Other property owned	**1,049,280**	1,398,915
Total nonperforming assets	**$ 14,500,042**	$16,378,753

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 as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2014	December 31, 2013
Real estate mortgage		
Acceptable	**95.7%**	95.6%
OAEM	**1.5%**	1.4%
Substandard/doubtful	**2.8%**	3.0%
	100.0%	100.0%
Production and intermediate term		
Acceptable	**95.8%**	95.1%
OAEM	**0.0%**	0.0%
Substandard/doubtful	**4.2%**	4.9%
	100.0%	100.0%
Agribusiness		
Acceptable	**100.0%**	100.0%
OAEM	**0.0%**	0.0%
Substandard/doubtful	**0.0%**	0.0%
	100.0%	100.0%
Water/waste water		
Acceptable	**100.0%**	100.0%
OAEM	**0.0%**	0.0%
Substandard/doubtful	**0.0%**	0.0%
	100.0%	100.0%
Communication		
Acceptable	**100.0%**	100.0%
OAEM	**0.0%**	0.0%
Substandard/doubtful	**0.0%**	0.0%
	100.0%	100.0%
Rural residential real estate		
Acceptable	**94.3%**	94.0%
OAEM	**0.5%**	0.6%
Substandard/doubtful	**5.2%**	5.4%
	100.0%	100.0%
Total loans		
Acceptable	**95.8%**	95.7%
OAEM	**1.4%**	1.3%
Substandard/doubtful	**2.8%**	3.0%
	100.0%	100.0%

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

March 31, 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**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,962,515**	**$ 2,404,470**	**$ 4,366,985**	**$ 646,101,971**	**$ 650,468,956**	**$ 66,443**
Production and intermediate term	**167,901**	**-**	**167,901**	**38,246,250**	**38,414,151**	**-**
Loans to cooperatives	**-**	**-**	**-**	**3,853,203**	**3,853,203**	**-**
Processing and marketing	**-**	**-**	**-**	**24,419,781**	**24,419,781**	**-**
Farm-related business	**-**	**-**	**-**	**117,388**	**117,388**	**-**
Communication	**-**	**-**	**-**	**2,403,082**	**2,403,082**	**-**
Water and waste water	**-**	**-**	**-**	**649,587**	**649,587**	**-**
Rural residential real estate	**166,877**	**-**	**166,877**	**11,569,101**	**11,735,978**	**-**
Total	**$ 2,297,293**	**$ 2,404,470**	**$ 4,701,763**	**$ 727,360,363**	**$ 732,062,126**	**$ 66,443**

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	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 3,100,414	$ 1,829,131	$ 4,929,545	$ 651,538,699	$ 656,468,244	$ 103,173
Production and intermediate term	-	-	-	36,849,030	36,849,030	-
Loans to cooperatives	-	-	-	2,784,291	2,784,291	-
Processing and marketing	-	-	-	22,281,804	22,281,804	-
Farm-related business	-	-	-	158,768	158,768	-
Communication	-	-	-	950,240	950,240	-
Water and waste water	-	-	-	714,994	714,994	-
Rural residential real estate	69,364	31,183	100,547	11,350,015	11,450,562	-
Total	$ 3,169,778	$ 1,860,314	$ 5,030,092	$ 726,627,841	$ 731,657,933	$ 103,173

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

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. TDRs 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 March 31, 2014, the total recorded investment of TDR loans was $1,565,287, including $435,774 classified as nonaccrual and $1,129,513 classified as accrual, with specific allowance for loan losses of $58,858. All loans classified as TDRs were individually evaluated to determine the need for allowance for loan losses. As of March 31, 2014, the Association had no commitments to lend funds to borrowers whose loan terms have been modified as TDR.

The following tables present additional information regarding TDRs which includes both accrual and nonaccrual loans with TDR designation, that occurred during the three months ended March 31, 2014. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred. Loans formally restructured prior to January 1, 2014, were $1,381,727.

For the Three Months Ended March 31, 2014	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 189,376	$ 183,560
Total	$ 189,376	$ 183,560

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).

The predominant form of concession granted for TDRs includes extension of the term and/or delayed payments. Other types of modifications include principal or accrued interest reductions and interest rate decreases, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case we assess all of the modified terms to determine if the overall modification qualifies as a TDR.

The following table presents information regarding loans that met the accounting criteria as a TDR and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Troubled debt restructurings that subsequently defaulted:	Recorded Investment at March 31, 2014	Recorded Investment at March 31, 2013
Real estate mortgage	$ -	$ 99,866
Total	$ -	$ 99,866

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

	Loans Modified as TDRs		TDRs in Nonacrual Status*	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Real estate mortgage	$ 1,565,287	$ 1,943,176	$ 435,774	$ 762,885
Total	$ 1,565,287	$ 1,943,176	$ 435,774	$ 762,885

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	March 31, 2014			December 31, 2013		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 3,056,549**	**$ 3,559,389**	**$ 752,292**	$ 3,148,290	$ 3,654,926	$ 724,402
Production and intermediate term	**-**	**-**	**-**	-	-	-
Farm-related business	**-**	**-**	**-**	-	-	-
Rural residential real estate	**4,162**	**4,162**	**1,578**	4,162	4,162	5,037
Total	**$ 3,060,711**	**$ 3,563,551**	**$ 753,870**	$ 3,152,452	$ 3,659,088	$ 729,439
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 9,555,967**	**$ 11,167,339**	**$ -**	$ 10,779,695	$ 12,362,511	$ -
Production and intermediate term	**635,159**	**667,901**	**-**	826,498	859,240	-
Farm-related business	**-**	**13,095**	**-**	-	13,095	-
Rural residential real estate	**187,655**	**187,655**	**-**	221,193	221,193	-
Total	**$ 10,378,781**	**$ 12,035,990**	**$ -**	$ 11,827,386	$ 13,456,039	$ -
Total impaired loans:						
Real estate mortgage	**$ 12,612,516**	**$ 14,726,728**	**$ 752,292**	$ 13,927,985	$ 16,017,437	$ 724,402
Production and intermediate term	**635,159**	**667,901**	**-**	826,498	859,240	-
Farm-related business	**-**	**13,095**	**-**	-	13,095	-
Rural residential real estate	**191,817**	**191,817**	**1,578**	225,355	225,355	5,037
Total	**$ 13,439,492**	**$ 15,599,541**	**$ 753,870**	$ 14,979,838	$ 17,115,127	$ 729,439

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

	For the Quarter Ended March 31, 2014		For the Quarter Ended March 31, 2013	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 2,961,945**	**$ 2,102**	$ 2,700,530	$ 3,334
Production and intermediate term	**-**	**-**	-	-
Processing and marketing	**-**	**-**	760,722	-
Farm-related business	**-**	**-**	13,095	-
Rural residential real estate	**4,162**	**-**	-	-
Total	**$ 2,966,107**	**$ 2,102**	$ 3,474,347	$ 3,334
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 9,795,565**	**$ 26,083**	$ 11,218,775	$ 17,648
Production and intermediate term	**696,813**	**-**	-	-
Processing and marketing	**-**	**-**	677,339	-
Farm-related business	**-**	**-**	-	-
Rural residential real estate	**188,617**	**-**	98,369	-
Total	**$ 10,680,995**	**$ 26,083**	$ 11,994,483	$ 17,648
Total impaired loans:				
Real estate mortgage	**$ 12,757,510**	**$ 28,185**	$ 13,919,305	$ 20,982
Production and intermediate term	**696,813**	**-**	-	-
Processing and marketing	**-**	**-**	1,438,061	-
Farm-related business	**-**	**-**	13,095	-
Rural residential real estate	**192,779**	**-**	98,369	-
Total	**$ 13,647,102**	**$ 28,185**	$ 15,468,830	$ 20,982

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2013	$ 2,529,315	$ 61,654	$ 919,289	$ 810	$ 784	$ 29,939	$ 3,541,791
Charge-offs	(25,336)	-	-	-	-	-	(25,336)
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	139,668	2,252	10,335	342	(86)	13,449	165,960
Balance at March 31, 2014	$ 2,643,647	$ 63,906	$ 929,624	$ 1,152	$ 698	$ 43,388	$ 3,682,415
Ending Balance:							
Individually evaluated for impairment	$ 884,825	$ -	$ -	$ -	$ -	$ 28,214	$ 913,039
Collectively evaluated for impairment	1,758,822	63,906	929,624	1,152	698	15,174	2,769,376
Balance at March 31, 2014	$ 2,643,647	$ 63,906	$ 929,624	$ 1,152	$ 698	$ 43,388	$ 3,682,415
Balance at December 31, 2012	$ 3,746,684	$ 10,963	$ 1,051,538	$ 845	$ -	$ 32,895	$ 4,842,925
Charge-offs	(549,594)	-	-	-	-	(5,964)	(555,558)
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	(180,836)	16,881	(26,081)	-	-	14,929	(175,107)
Balance at March 31, 2013	$ 3,016,254	$ 27,844	$ 1,025,457	$ 845	$ -	$ 41,860	$ 4,112,260
Ending Balance:							
Individually evaluated for impairment	$ 1,285,203	$ -	$ 466,172	$ -	$ -	$ 27,649	$ 1,779,024
Collectively evaluated for impairment	1,731,051	27,844	559,285	845	-	14,211	2,333,236
Balance at March 31, 2013	$ 3,016,254	$ 27,844	$ 1,025,457	$ 845	$ -	$ 41,860	$ 4,112,260

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at March 31, 2014	$650,468,956	$ 38,414,151	$28,390,372	$ 2,403,082	$ 649,587	$11,735,978	$732,062,126
Individually evaluated for impairment	$ 18,065,801	$ 1,616,987	$ -	$ -	$ -	$ 609,001	$ 20,291,789
Collectively evaluated for impairment	$632,403,155	$ 36,797,164	$28,390,372	$ 2,403,082	$ 649,587	$11,126,977	$711,770,337
Ending Balance at March 31, 2013	$658,198,296	$ 21,610,080	$13,412,347	$ 950,227	$ -	$10,105,755	$704,276,705
Individually evaluated for impairment	$ 19,415,147	$ 29,206	$ 1,451,156	$ -	$ -	$ 667,637	$ 21,563,146
Collectively evaluated for impairment	$638,783,149	$ 21,580,874	$11,961,191	$ 950,227	$ -	$ 9,438,118	$682,713,559

NOTE 3 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

In December 2013, the board declared a $6,100,000 cash patronage to be paid to stockholders from the Association's 2013 earnings. The patronage distribution was completed in March 2014.

NOTE 4 — INCOME TAXES:

The Association and its PCA subsidiary, Alabama Ag Credit, PCA, (Associations), are subject to federal and certain other income taxes. The Associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue Code. Under specified conditions, the Associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During the three months ended March 31, 2014, the Association did participate in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. The Association has recorded a full valuation allowance against its deferred tax asset as of March 31, 2014 based on management's estimate that it is more likely than not that the deferred tax asset will not be realized. For the three months ended March 31, 2014, the Association had no taxable income.

The FLCA subsidiary, Alabama Ag Credit, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 14 to the 2013 Annual Report to Stockholders for a more complete description.

Valuation Techniques

As more fully discussed in Note 14 to the 2013 Annual Report to Stockholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used by the Bank and associations for assets and liabilities:

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy. As of March 31, 2014, other property owned, net is reported at $1,049,280 in the consolidated balance sheet.

Information about other financial instruments fair value measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Systemwide debt securities, subordinated debt and other bonds	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

Assets and liabilities measured at fair value on a recurring basis are summarized below:

March 31, 2014	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 20,000**	**$ -**	**$ -**	**$ 20,000**

December 31, 2013	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 20,000	$ -	$ -	$ 20,000

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

March 31, 2014	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 3,101,151**	**$ 3,101,151**
Other property owned	**-**	**-**	**1,083,034**	**1,083,034**

December 31, 2013	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 3,651,480	$ 3,651,480
Other property owned	-	-	1,458,267	1,458,267

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. System institutions utilize 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.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: As discussed in Note 2 and Note 12 to the 2013 Annual Report to Stockholders, employees of the Association participate in either the District's defined benefit pension plan (DB Plan) or the District's defined contribution plan (DC Plan).

The structure of the DB Plan is characterized as multi-employer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The annual contribution is paid in January of each year, and amortized into expense on a monthly basis; unamortized contributions are included in "Other Assets" in the consolidated balance sheet. The following table represents DB contributions made, amounts amortized into expense, and the remaining unamortized contributions amounts as of March 31:

	DB Contribution	YTD Amortization	Unamortized Contribution
2014	**$ 627,158**	**$ 156,790**	**$ 470,368**
2013	731,580	182,895	548,685

Association contributions to the DC Plan are expensed as incurred. For the three months ended March 31, 2014 and 2013, the Association recognized pension costs for the DC Plan of $56,471 and $46,321, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. The Association's contributions to the 401(k) plan were $47,240 and $44,181 for the three months ended March 31, 2014 and 2013, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer, and consequently, the liability for these benefits is included in the consolidated balance sheet. The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	Other Benefits	
	2014	2013
Service cost	**$ 14,096**	$ 16,856
Interest cost	**25,855**	25,331
Expected return on plan assets	**-**	-
Amortization of prior service (credits) costs	**(6,570)**	(6,570)
Amortization of net actuarial (gain) loss	**1,139**	12,250
Net periodic benefit cost	**$ 34,520**	$ 47,867

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2014, was $2,029,829 and is included in "Other Liabilities" in the balance sheet.

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2014	2013
Accumulated other comprehensive loss at January 1	**$ (108,929)**	$ (578,099)
Amortization of prior service (credit) costs included in net periodic postretirement benefit cost	**6,570**	(6,570)
Amortization of actuarial (gain) loss included in net periodic postretirement benefit cost	**(1,139)**	12,250
Other comprehensive income (loss), net of tax	**5,431**	5,680
Accumulated other comprehensive loss at March 31	**$ (103,498)**	$ (572,419)

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 2, 2014, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 2, 2014.