2013 ANNUAL REPORT

Part of the Farm Credit System

Message From the Chairman of the Board

Dear Louisiana Land Bank Stockholder,

On behalf of the board of directors, I take great pride to report that your Association had another successful year during 2013. There were many challenges but your board made strategic decisions that were best for the Association despite the difficulty of some of those decisions.

Because of those actions, your Association continues to strengthen and prepare for serving your needs as borrowers well into the future. For two years in a row, the Association has posted net income in excess of $9,000,000. Additionally, your board has reestablished the patronage program. A $1,700,000 patronage was delivered in 2013 and a $3,000,000 patronage will be paid during the second quarter of 2014. These payouts show our commitment to the cooperative spirit and signal that we have moved forward from our recent challenges.

In my letter to you last year, I pointed out that 2010 and 2011 were very challenging times for the Association. I am now pleased to tell you that the board and management have worked through those issues. As the following financial report will indicate, your Association is no longer under special supervisory oversight of the regulator and we are determined to continue improving and enhancing our credit services available to our Louisiana customers.

These are exciting times as we plan to grow our Association and improve the quality and delivery of our loan products. We will continue to rely on you for referrals of your family members, friends and business acquaintances. Those referrals will allow us to continue to grow and build on our statewide cooperative advantage for years to come.

Your Association has a statewide charter and Louisiana is blessed with a very diverse commodity base. From the rice and sugar crops in southwest Louisiana to the fertile row crops of the northeast Louisiana delta, your Association plays a key part in providing the financing of the agricultural and timber needs throughout the state. Your board is determined to better serve the farm, timber and agribusiness needs of the state. I invite you to stop by and visit one of our 10 branch offices located within the state or with your local board member. It is our employees who have allowed us to recover and position the Association for growth for years to come.

The board greatly appreciates your relationship with the Association. We look forward to growing with you and moving forward to being the leading provider of financial services to Louisiana farmers, foresters, agribusinesses and rural residents.

R. Ernest Girouard, Jr.
Chairman of the Board

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REPORT OF MANAGEMENT

The consolidated financial statements of Louisiana Land Bank, ACA (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 annual report is consistent with that in the consolidated financial statements.

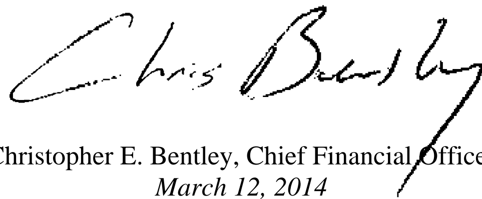
To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (Bank) and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions 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 consolidated 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 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 (FCA).

The board of directors (Board) has overall responsibility for the Association's systems of internal control and financial reporting. The Board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been 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 or her knowledge or belief.

F. Stephen Austin, Chief Executive Officer
March 12, 2014

R. Ernest Girouard, Jr., Chairman, Board of Directors
March 12, 2014



Christopher E. Bentley, Chief Financial Officer
March 12, 2014

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of Bobby E. Stanley, chairman, J. Mark Morgan, Cullen M. Kovac, John L. "Jack" Dailey and Cecelia A. Hoyt. In 2013, 15 committee meetings were held. The Committee oversees the scope of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Association's website. The Committee approved the appointment of PricewaterhouseCoopers LLP for 2013.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PricewaterhouseCoopers LLP is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing the processes.

In this context, the Committee reviewed and discussed the Association's audited consolidated financial statements for the year ended December 31, 2013 (audited consolidated financial statements) with management and PricewaterhouseCoopers LLP. The Committee also reviews with PricewaterhouseCoopers LLP the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PricewaterhouseCoopers LLP and the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PricewaterhouseCoopers LLP its independence from the Association. The Committee also reviewed the nonaudit services provided by PricewaterhouseCoopers LLP and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PricewaterhouseCoopers LLP such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board include the audited consolidated financial statements in the Association's Annual Report to Stockholders for the year ended December 31, 2013.

Audit Committee Members

Bobby E. Stanley, Chairman
J. Mark Morgan
Cullen M. Kovac
John L. "Jack" Dailey
Cecelia A. Hoyt

March 12, 2014

LOUISIANA LAND BANK, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2013	2012	2011	2010	2009
Balance Sheet Data					
Assets					
Cash	**$ 50**	$ 1,056	$ 125	$ 3,204	$ 4,712
Loans	**611,195**	594,658	667,475	773,312	813,925
Less: allowance for loan losses	**5,313**	9,892	10,348	23,482	8,419
Net loans	**605,882**	584,766	657,127	749,830	805,506
Investment in and receivable from the Farm Credit Bank of Texas	**11,877**	12,443	16,412	13,980	14,664
Other property owned, net	**1,551**	7,097	6,635	11,493	2,961
Other assets	**8,214**	8,741	10,691	12,400	15,435
Total assets	**$ 627,574**	$ 614,103	$ 690,990	$ 790,907	$ 843,278
Liabilities					
Obligations with maturities of one year or less	**$ 6,918**	$ 3,431	$ 3,243	$ 2,584	$ 3,211
Obligations with maturities greater than one year	**495,401**	490,506	576,271	667,171	704,512
Total liabilities	**502,319**	493,937	579,514	669,755	707,723
Members' Equity					
Capital stock and participation certificates	**2,900**	2,854	3,025	3,111	3,113
Unallocated retained earnings	**122,482**	118,002	108,853	118,085	132,123
Accumulated other comprehensive income (loss)	**(127)**	(690)	(402)	(44)	319
Total members' equity	**125,255**	120,166	111,476	121,152	135,555
Total liabilities and members' equity	**$ 627,574**	$ 614,103	$ 690,990	$ 790,907	$ 843,278
Statement of Income Data					
Net interest income	**$ 17,553**	$ 17,508	$ 18,929	$ 18,490	$ 19,669
Provision for loan losses	**(370)**	(1,026)	(15,825)	(26,700)	(8,975)
Income from the Farm Credit Bank of Texas	**2,544**	2,723	3,203	4,015	3,613
Other noninterest income	**982**	2,168	617	1,279	1,623
Noninterest expense	**(11,486)**	(12,141)	(16,107)	(11,123)	(10,496)
Benefit from income taxes	**(43)**	(83)	(49)	-	-
Net income (loss)	**$ 9,180**	$ 9,149	$ (9,232)	$ (14,039)	$ 5,434
Key Financial Ratios for the Year					
Return on average assets	**1.5%**	1.4%	-1.2%	-1.7%	0.6%
Return on average members' equity	**7.4%**	7.9%	-7.8%	-10.2%	4.1%
Net interest income as a percentage of average earning assets	**2.9%**	2.8%	2.6%	2.3%	2.4%
Net charge-offs (recoveries) as a percentage of average loans	**0.8%**	0.2%	3.9%	1.5%	0.2%

LOUISIANA LAND BANK, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2013	2012	2011	2010	2009
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**20.0%**	19.6%	16.1%	15.3%	16.1%
Debt as a percentage of members' equity	**401.0%**	411.0%	519.9%	552.8%	522.1%
Allowance for loan losses as a percentage of loans	**0.9%**	1.7%	1.6%	3.0%	1.0%
Permanent capital ratio	**18.5%**	17.4%	13.5%	14.1%	13.6%
Core surplus ratio	**18.1%**	17.0%	13.1%	13.7%	13.2%
Total surplus ratio	**18.1%**	17.0%	13.1%	13.7%	13.2%
Net Income Distribution					
Patronage dividends:					
Cash	**1,700**	-	-	2,600	4,278

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Louisiana Land Bank, ACA, including its wholly-owned subsidiaries, Louisiana Production Credit, PCA and Louisiana Federal Land Bank Association, FLCA (Association) for the years ended December 31, 2013, 2012 and 2011, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

The Association entered into a written agreement (Agreement) with our regulator, the FCA, on March 15, 2011. Per the Agreement, the Association was subject to various operational, financial, compliance and reporting requirements. The conditions which led to this Agreement were unsafe and unsound conditions, including excessive portfolio risk and asset quality weakness which stemmed from weaknesses in the credit underwriting function which became apparent with the downturn in the overall economy. The Association's Board and management worked to remediate the underlying causes which led to the need for the Agreement with FCA. Effective January 23, 2014, the FCA terminated the Agreement with the Association.

In December of 2013, the Board elected to declare a patronage of $3,000,000 to stockholders for 2013. It is anticipated that the patronage will be paid during the second quarter of 2014. In January of 2013, the Board elected to declare a patronage of $1,699,896 to stockholders for 2012. The patronage was paid during the second quarter of 2013.

In December 2013, the Association received a direct loan patronage of $2,188,702 from the Bank, representing 44 basis points on the average daily balance of the Association's direct loan with the Bank. During 2013, the Association received $188,283 from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $167,272 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

The Association has net income of $9,180,238 for 2013 compared to $9,149,105 in 2012. The Association had $655,687 less in provision expense for loan loss in 2013 compared to 2012. The Association had $1,873,360 less in provision expense for acquired property in 2013 compared to 2012. The Association had $559,165 in income related to acquired property in 2013 compared to $775,392 in income during 2012. The Association has $45,672 more in net interest income in 2013 compared to 2012.

Jesse A. Craft ceased to act as the Chief Executive Officer of the Association effective March 7, 2013, and left employment of the Association on March 31, 2013. F. Stephen Austin was named the interim Chief Executive Officer effective March 7, 2013. The board named Mr. Austin the Chief Executive Officer on July 23, 2013. Brian Turner was promoted to Chief Credit Officer on July 30, 2013.

The Association has a contractual relationship with the Bank from which the Association borrows to fund its loan portfolio. The indebtedness is governed by the General Financing Agreement (GFA), which contains certain covenants. The Association was able to regain full compliance with the GFA as of October 1, 2012. Prior to October 1, 2012, the Association was in violation of an earnings covenant included in the GFA. The Association was operating under a limited waiver of the covenant default. The Association is in full compliance with the GFA at December 31, 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 loan products are available to eligible borrowers with competitive variable, fixed, adjustable and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The Association's portfolio contains repayment concentrations when analyzing the composition of the portfolio by primary repayment sources. The Association has reliance on row crops (22.20 percent) professional – nonfarm (21.71 percent), retail – nonfarm (21.65 percent), and timber (13.04 percent) as primary repayment sources for more than 78 percent of the portfolio. Total out-of-state loans, including purchased participation loans, are 21.62 percent of total loans outstanding. Purchased participations and out-of-state loans contributed significantly to the net losses in 2010 and 2011. The Association has significantly reduced its exposure to third party originated loans and loans with collateral in Georgia and Florida. As of December 31, 2013, the Association has loans with a recorded investment balance of $10,461,822 with collateral in Florida and Georgia. Of that balance, $2,567,207 is classified less than acceptable. The Association has specific reserves of $951,144 for these loans.

The composition of the Association's loan portfolio, including principal less funds held of $611,195,331, $594,657,865 and $667,474,642 as of December 31, 2013, 2012 and 2011, respectively, is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

Purchase and Sales of Loans:

During 2013, 2012 and 2011, the Association was participating in loans with other lenders. As of December 31, 2013, 2012 and 2011, these participations totaled $45,111,564, $57,299,392 and $81,692,894, or 7.4 percent, 9.6 percent and 12.2 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the district of $14,058,111, $33,325,630 and $43,721,101, or 2.3 percent, 5.6 percent and 6.6 percent of loans, respectively. The Association has also sold participations of $37,556,635, $26,286,299 and $43,990,822 as of December 31, 2013, 2012 and 2011, respectively.

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, net. The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2013		2012		2011	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 3,787,777**	**45.7%**	$ 15,778,287	55.0%	$ 37,541,242	80.5%
90 days past due and still accruing interest	**-**	**0.0%**	301,237	1.1%	-	0.0%
Formally restructured	**2,946,814**	**35.6%**	3,083,217	19.1%	2,451,657	5.3%
Other property owned, net	**1,551,254**	**18.7%**	7,096,725	24.8%	6,635,494	14.2%
Total	**$ 8,285,845**	**100.0%**	$ 26,259,466	100.0%	$ 46,628,393	100.0%

At December 31, 2013, 2012 and 2011, loans that were considered impaired were $6,734,591, $19,162,741 and $39,992,899, representing 1.1 percent, 3.2 percent and 6.0 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

The level of high risk assets in 2011 relates to our capital markets portfolio, and specifically, a portfolio of loans originated through a third party originator. Between 2006 and 2008 the Association entered in $123.3 million of loan participations brokered by this third party originator. Of this portfolio, approximately $74.9 million had underlying collateral of real estate in Florida or Georgia.

Although the Association suffered significant credit losses associated with that portfolio, management and the Board worked to unwind from these transactions as efficiently as possible. As a result, the Association's non accrual and other property owned have been significantly reduced over the past 3 years. As of December 31, 2013, total remaining recorded investment of the third party originated portfolio is $6,501,821, with related allowance for loan losses of $1,111,439.

Of the total nonaccrual loan balance of $3,787,777 at December 31, 2013, $977,254, or 25.8 percent, was brokered through the third party originator.

At December 31, 2013, other property owned totaled $1,551,254. Of that balance, $819,753 was Louisiana-based collateral, and $731,501 was out-of-state collateral. The out-of-state collateral was 100 percent participation purchased loan activity. The net carrying value of the property is equivalent to its fair value of $1,551,254. The association was able to reduce other property owned by $5,545,471 during 2013. The other property owned that was liquidated was located in Florida, Louisiana and Texas.

At December 31, 2013, the Association had 13 loans to a single borrower totaling $17,093,354, representing 2.8 percent of total loan volume.

The non accrual loan balance decreased by $11,990,510 during 2013. Two accounts made up 94 percent of the decrease during the year. One account was paid in full and the other account incurred a significant charge-off. One was a Louisiana-based loan and the other was a loan originated by a third party originator with collateral located outside of Louisiana.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2013	2012	2011
Allowance for loan losses	**$ 5,312,601**	$ 9,892,023	$ 10,347,913
Allowance for loan losses to total loans	**0.9%**	1.7%	1.6%
Allowance for loan losses to nonaccrual loans	**140.3%**	62.7%	27.6%
Allowance for loan losses to impaired loans	**79.4%**	51.6%	25.9%
Net charge-offs to average loans	**0.8%**	0.2%	3.9%

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $5,312,601, $9,892,023 and $10,347,913 at December 31, 2013, 2012 and 2011, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates.

The third party originator loans were substantially reduced in 2011 and 2012, and charge-offs to these problem assets were recorded. Historical cost analysis has been used to enhance supporting data to develop a general reserve. Management has confidence that the loss contingencies are adequately recorded.

Results of Operations:

The Association's net income for the year ended December 31, 2013, was $9,180,238 as compared to $9,149,105 for the year ended December 31, 2012, reflecting an increase of $31,133, or 0.3 percent. The Association's net loss for the year ended December 31, 2011, was $9,231,926. Net income increased $18,381,031, or 199.1 percent, in 2012 versus 2011.

Net interest income for 2013, 2012 and 2011 was $17,553,334, $17,507,662 and $18,929,047, respectively, reflecting an increase of $45,672, or 0.3 percent, for 2013 versus 2012 and a decrease of $1,421,385, or 7.5 percent, for 2012 versus 2011. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2013		2012		2011	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 603,772,388**	**$ 26,214,443**	$ 623,757,933	$ 28,017,790	$ 738,940,109	$ 33,883,733
Total interest-earning assets	**603,772,388**	**26,214,443**	623,757,933	28,017,790	738,940,109	33,883,733
Interest-bearing liabilities	**493,148,097**	**8,661,109**	528,739,084	10,510,128	641,092,369	14,954,686
Impact of capital	**$ 110,624,291**		$ 95,018,849		$ 97,847,740	
Net interest income		**$ 17,553,334**		$ 17,507,662		$ 18,929,047

	2013 Average Yield	2012 Average Yield	2011 Average Yield
Yield on loans	**4.34%**	4.49%	4.59%
Total yield on interest-earning assets	**4.34%**	4.49%	4.59%
Cost of interest-bearing liabilities	**1.76%**	1.99%	2.33%
Interest rate spread	**2.58%**	2.50%	2.26%

	2013 vs. 2012			2012 vs. 2011		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ (897,711)**	**$ (905,636)**	**$ (1,803,347)**	$ (5,281,679)	$ (584,264)	$ (5,865,943)
Total interest income	**(897,711)**	**(905,636)**	**(1,803,347)**	(5,281,679)	(584,264)	(5,865,943)
Interest expense	**(707,478)**	**(1,141,541)**	**(1,849,019)**	(2,620,865)	(1,823,693)	(4,444,558)
Net interest income	**$ (190,233)**	**$ 235,905**	**$ 45,672**	$ (2,660,815)	$ 1,239,430	$ (1,421,385)

Interest income for 2013 decreased by $1,803,347, or 6.4 percent, compared to 2012, primarily due to a decrease in accrual loan volume and a decrease in interest rates year over year. Interest expense for 2013 decreased by $1,849,019, or 17.6 percent, compared to 2012 due to a decrease in accrual and nonaccrual assets during 2013 as well as a 23-basis-point decline in cost of funds during 2013. The interest rate spread increased by 8 basis points to 2.58 percent in 2013 from 2.50 percent in 2012, primarily because of a basis point decline in the cost of interest-bearing liabilities during 2013. In 2010, the Association implemented authoritative accounting guidance that requires loan origination fees and costs to be capitalized and amortized over the life of the loans as an adjustment to yield. The resulting adjustment to loan yield for 2010 was a decrease of $199,112. The interest rate spread increased by 24 basis points to 2.50 percent in 2012 from 2.26 percent in 2011, primarily because of a 23-basis-point decline in the cost of interest-bearing liabilities during 2013.

The Association manages interest rates through the Association's Asset Liability Management Committee. This committee is responsible for:

- Establishment of financial performance objectives related to loan pricing, including target loan spreads and net interest margin requirements.
- Establishment of recommended interest rate differentials and the basis on which interest rate differentials are applied to loans.
- Development of reporting systems to monitor the overall performance of loan pricing programs to ensure the achievement of financial performance objectives.
- Establishment of internal controls to ensure loan pricing programs are within the confines of board-approved programs and in compliance with regulatory requirements.
- Development of periodic forecasts, as needed, to evaluate the impact of changes in loan pricing.

Noninterest income for 2013 decreased by $1,364,439, or 27.9 percent, compared to 2012, due primarily to a refund from FCSIC Corporation (FCSIC or Insurance Fund) in the amount of $782,336 and a reduction in the gain on other property owned.

Provisions for loan losses decreased by $655,687 or 63.9 percent, compared to 2012, due primarily to the reduction in impaired assets requiring reserves. Most of the problem assets were identified in 2010 and an appropriate charge to loan provision was recorded. Additions in 2011 consisted of some identification of new problem assets as well as some deterioration of existing problem assets identified in 2010.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Operating expenses decreased by $654,762 for 2013 compared to 2012 primarily due to a decrease in provision for acquired property expense. Provision for acquired property expense decreased by $1,873,360 in 2013 compared to 2012. The Association has no loss on other property owned in 2013 and 2012 and a loss of $904,657 in 2011. Purchased service expense decreased by $214,712 in 2013 compared to 2012. Insurance Fund Premiums increased $187,067 in 2013 compared to 2012. Salaries and employee benefits increased $1,506,139 in 2013. This increase was driven by severance pay and incentive compensation accrual. During 2013, the Association provided severance packages that consisted of wages and/or benefits to 4 former employees. This included a former CEO, two former SVP's, and one VP/Relationship Manager. Management does not anticipate this level of turnover going forward. Supervisory and exam expenses decreased $157,584 in 2013. Occupancy and equipment decreased $18,286 in 2013. Remaining operating expense increased by $84,026 in 2013.

For the year ended December 31, 2013, the Association's return on average assets was 1.5 percent, as compared to 1.4 percent and -1.2 percent for the years ended December 31, 2012 and 2011, respectively. For the year ended December 31, 2013, the Association's return on average members' equity was 7.4 percent, as compared to 7.9 percent and -7.8 percent for the years ended December 31, 2012 and 2011, respectively.

The Association is in full compliance with the GFA at December 31, 2013. Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank would have a similar effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank 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 Bank. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a GFA. The outstanding balance of $494,649,196, $489,740,488 and $575,155,017 as of December 31, 2013, 2012 and 2011, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.82 percent, 1.82 percent and 2.30 percent at December 31, 2013, 2012 and 2011, respectively.

The increase in note payable to the Bank and related accrued interest payable since December 31, 2012, is due to an increase in accrual loan volume that took place during 2013. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $116,025,730, $104,307,296 and $92,020,985 at December 31, 2013, 2012 and 2011, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2013, was $611,266,839 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2015, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this Agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The indebtedness is governed by a GFA, which contains certain covenants. As of and for the year ended December 31, 2013, the Association is in full compliance with the GFA.

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 to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $125,255,102, $120,165,852 and $111,476,158 at December 31, 2013, 2012 and 2011, respectively. 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 permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2013, 2012, and 2011 was 18.5 percent, 17.4 percent and 13.5 percent, respectively.

The core surplus ratio measures available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The Association's core surplus ratio at December 31, 2013, 2012 and 2011 was 18.1 percent, 17.0 percent and 13.1 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 3.5 percent. The total surplus ratio measures available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the reserves existing to protect borrowers' investments in the Association. The Association's total surplus ratio at December 31, 2013, 2012 and 2011 was 18.1 percent, 17.0 percent and 13.1 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 7.0 percent.

In 2013, 2012 and 2011, the Association paid patronage distributions of $1,700,134, $0 and $0, respectively. In December 2013, the board of directors approved a $3,000,000 patronage distribution scheduled to be paid in April 2014. See Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank'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 and in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all district Associations. In addition, each Association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills district expenses to the Associations, such as the FCSIC premiums. As of April 2011, the Bank only bills Associations for direct pass-through expenses and no longer bills for allocated expenses. The impact of the change is a reduction of allocated expenses of $143,450, which are included in purchased services on the statements of comprehensive income.

Summary:

Over the past 24 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Independent Auditor's Report

To the Board of Directors and Members of
Louisiana Land Bank, ACA:

We have audited the accompanying consolidated financial statements of Louisiana Land Bank, ACA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2013, 2012 and 2011, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Land Bank, ACA and its subsidiaries at December 31, 2013, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 12, 2014

PricewaterhouseCoopers LLP, 300 West 6th Street, Suite 1800, Austin, Texas 78701
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LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2013	2012	2011
Assets			
Cash	**$ 49,942**	$ 1,056,223	$ 124,536
Loans	**611,195,331**	594,657,865	667,474,642
Less: allowance for loan losses	**5,312,601**	9,892,023	10,347,913
Net loans	**605,882,730**	584,765,842	657,126,729
Accrued interest receivable	**4,752,404**	5,048,700	7,302,839
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**9,847,090**	10,743,310	12,956,350
Other	**2,029,531**	1,700,104	3,455,325
Deferred taxes, net	**16,661**	16,661	16,661
Other property owned, net	**1,551,254**	7,096,725	6,635,494
Premises and equipment	**3,131,092**	3,135,995	3,020,450
Other assets	**313,820**	539,693	351,364
Total assets	**$ 627,574,524**	$ 614,103,253	$ 690,989,748
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 494,649,196**	$ 489,740,488	$ 575,155,017
Accrued interest payable	**751,711**	760,539	1,115,129
Drafts outstanding	**87,989**	5,288	70,417
Patronage payable	**3,000,040**	-	-
Other liabilities	**3,830,486**	3,431,086	3,173,027
Total liabilities	**502,319,422**	493,937,401	579,513,590
Members' Equity			
Capital stock and participation certificates	**2,899,765**	2,853,915	3,025,360
Unallocated retained earnings	**122,482,131**	118,001,797	108,852,692
Accumulated other comprehensive loss	**(126,794)**	(689,860)	(401,894)
Total members' equity	**125,255,102**	120,165,852	111,476,158
Total liabilities and members' equity	**$ 627,574,524**	**$ 614,103,253**	**$ 690,989,748**

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2013	2012	2011
Interest Income			
Loans	**$ 26,214,443**	$ 28,017,790	$ 33,883,733
Total interest income	**26,214,443**	28,017,790	33,883,733
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**8,661,109**	10,510,128	14,954,686
Total interest expense	**8,661,109**	10,510,128	14,954,686
Net interest income	**17,553,334**	17,507,662	18,929,047
Provision for Loan Losses	**370,312**	1,025,999	15,825,220
Net interest income after provision for losses	**17,183,022**	16,481,663	3,103,827
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**2,544,257**	2,723,149	3,203,113
Loan fees	**190,814**	445,110	466,423
Refunds from Farm Credit System Insurance Corporation	**-**	782,336	-
Financially related services income	**3,094**	3,288	3,976
Gain on other property owned, net	**559,165**	775,392	-
Gain on sale of premises and equipment, net	**204,763**	160,757	56,623
Other noninterest income	**24,800**	1,300	89,684
Total noninterest income	**3,526,893**	4,891,332	3,819,819
Noninterest Expenses			
Salaries and employee benefits	**7,164,495**	5,658,356	5,736,925
Directors' expense	**316,164**	332,540	280,595
Purchased services	**626,278**	840,990	1,025,987
Travel	**551,996**	595,474	496,103
Occupancy and equipment	**538,312**	556,598	453,840
Communications	**166,749**	170,806	155,457
Advertising	**407,281**	340,213	262,624
Public and member relations	**221,033**	256,998	197,268
Supervisory and exam expense	**388,020**	545,604	356,218
Insurance Fund premiums	**454,893**	267,826	420,667
Provision for losses on other property owned, net	**127,382**	2,000,742	5,366,751
Losses on other property owned, net	**-**	-	904,657
Other noninterest expense	**523,788**	575,006	449,333
Total noninterest expenses	**11,486,391**	12,141,153	16,106,425
Income before income taxes	**9,223,524**	9,231,842	(9,182,779)
Provision for income taxes	**43,286**	82,737	49,147
NET INCOME	**$ 9,180,238**	$ 9,149,105	$ (9,231,926)

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2010	$ 3,111,285	$ 118,084,618	$ (44,159)	$ 121,151,744
Net income	-	(9,231,926)	-	(9,231,926)
Other comprehensive income	-	-	(357,735)	(357,735)
Comprehensive income	-	(9,231,926)	(357,735)	(9,589,661)
Capital stock/participation certificates issued	357,490	-	-	357,490
Capital stock/participation certificates and allocated retained earnings retired	(443,415)	-	-	(443,415)
Balance at December 31, 2011	3,025,360	108,852,692	(401,894)	111,476,158
Net income	-	9,149,105	-	9,149,105
Other comprehensive income	-	-	(287,966)	(287,966)
Comprehensive income	-	9,149,105	(287,966)	8,861,139
Capital stock/participation certificates issued	396,885	-	-	396,885
Capital stock/participation certificates and allocated retained earnings retired	(568,330)	-	-	(568,330)
Balance at December 31, 2012	2,853,915	118,001,797	(689,860)	120,165,852
Net income	-	9,180,238	-	9,180,238
Other comprehensive income	-	-	563,066	563,066
Comprehensive income	-	9,180,238	563,066	9,743,304
Capital stock/participation certificates issued	491,735	-	-	491,735
Capital stock/participation certificates and allocated retained earnings retired	(445,885)	-	-	(445,885)
Stock equalization	-	-	-	-
Patronage dividends declared	-	(4,699,904)	-	(4,699,904)
Balance at December 31, 2013	**$ 2,899,765**	**$ 122,482,131**	**$ (126,794)**	**$ 125,255,102**

LOUISIANA LAND BANK, ACA

STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income	**$ 9,180,238**	$ 9,149,105	$ (9,231,926)
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**370,312**	1,025,999	15,825,220
Provision for acquired property	**127,382**	-	5,366,751
Gain on other property owned, net	**(635,902)**	1,225,350	904,657
(Gain) loss on sale of other property owned, net	**(508,520)**	1,225,350	6,271,408
Depreciation	**473,494**	425,864	348,502
Gain on sale of premises and equipment, net	**(204,763)**	(160,757)	(56,623)
Decrease in accrued interest receivable	**296,296**	2,254,139	1,537,126
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	**(329,427)**	1,755,221	(3,287,267)
Decrease (increase) in other assets	**225,873**	(188,329)	(35,452)
Decrease in accrued interest payable	**(8,828)**	(354,590)	(331,309)
Increase (decrease) in other liabilities	**962,466**	(29,907)	231,449
Net cash provided by operating activities	**10,457,141**	15,102,095	11,254,467
Cash flows from investing activities:			
(Increase) decrease in loans, net	**(22,468,785)**	61,452,803	70,076,306
Cash recoveries of loans previously charged off	**136,274**	505,300	228,687
Proceeds from redemption of investment in the Farm Credit Bank of Texas	**896,220**	2,213,040	855,940
Purchases of premises and equipment	**(586,520)**	(508,266)	(214,737)
Proceeds from sales of premises and equipment	**359,935**	164,504	164,918
Proceeds from sales of other property owned	**6,862,059**	7,653,314	5,140,266
Net cash (used in) provided by investing activities	**(14,800,817)**	71,480,695	76,251,380
Cash flows from financing activities:			
Net draws on (repayment of) note payable to the Farm Credit Bank of Texas	**4,908,708**	(85,414,529)	(90,570,098)
Increase (decrease) in drafts outstanding	**82,701**	(65,129)	70,307
Issuance of capital stock and participation certificates	**491,735**	396,885	357,490
Retirement of capital stock and participation certificates	**(445,885)**	(568,330)	(443,415)
Patronage dividends payable	**32**	-	-
Patronage distributions paid	**(1,699,896)**	-	-
Net cash provided by (used in) financing activities	**3,337,395**	(85,651,103)	(90,585,716)
Net (decrease) increase in cash	**(1,006,281)**	931,687	(3,079,869)
Cash at the beginning of the year	**1,056,223**	124,536	3,204,405
Cash at the end of the year	**$ 49,942**	$ 1,056,223	$ 124,536
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**718,745**	9,339,895	6,553,680
Loans charged off	**5,086,009**	1,987,190	29,187,710
Patronage distributions declared	**4,699,904**	-	-
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 8,669,936**	$ 10,864,719	$ 15,285,995

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Louisiana Land Bank, ACA, including its wholly-owned subsidiaries, Louisiana Production Credit, PCA and Louisiana Federal Land Bank Association, 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 for qualified agricultural purposes in the counties of parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn in the state of Louisiana.

   The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2013, the System consisted of three Farm Credit Banks (FCBs) and their affiliated Associations, one Agricultural Credit Bank (ACB) and its affiliated Associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation), and various service and other organizations.

   The Bank and its related Associations are collectively referred to as the "District." The Bank provides funding to all Associations within the District and is responsible for supervising certain activities of the District Associations. At December 31, 2013, the District consisted of the Bank, one FLCA and 16 ACA parent companies, which have two wholly-owned subsidiaries, a FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

   The FCA is delegated authority by Congress to regulate the System Banks and Associations. The FCA examines the activities of System Associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

   The Act established the FCSIC to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System Bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to System institutions.

   FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Bank and District Associations' Annual Report to Stockholders, which includes the combined financial statements of the Bank 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 Bank 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 Insurance Fund.

The lending and financial services offered by the Bank are described in Note 1, "Organization and Operations," of the District's annual report to stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current financial statement presentation. The consolidated financial statements include the accounts of the PCA and the FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Balance Sheet - Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar Agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures.

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 non-public 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.

In June and December 2011, the FASB issued guidance entitled "Comprehensive Income – Presentation of Comprehensive Income." This guidance is intended to increase the prominence of other comprehensive income in financial statements. The main provisions of the guidance provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. This guidance did not change the items that must be reported in other comprehensive income. With either approach, an entity is required to present reclassification adjustments for items reclassified from other comprehensive income to net income in the statement(s). The December 2011 guidance deferred the effective date for the presentation of reclassification adjustments.

This guidance is applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income.

B. Cash and Cash Equivalents: Cash and cash equivalents, as included in the statement of cash flows, represent cash on hand and on deposit at local Banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restricted in a troubled debt restructuring is an impaired loan.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs, and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related Associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan, assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management considers the following factors in determining and

supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other district Associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an Association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the Statement of Condition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

G. Employee Benefit Plans: Employees of the Association participate in either the district defined benefit retirement plan (DB Plan) or the defined contribution plan (DC Plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB Plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB Plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB Plan.

   Participants in the DC Plan generally include employees who elected to transfer from the DB Plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC Plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2013, made on their behalf into various investment alternatives.

   The structure of the district's DB Plan is characterized as multiemployer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the Associations. No portion of any surplus assets is available to the Associations, nor are the Associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the Associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC Plan of $194,275, $175,291 and $148,404 for the years ended December 31, 2013, 2012 and 2011, respectively. For the DB Plan, the Association recognized pension costs of $459,715, $505,242 and $1,284,190 for the years ended December 31, 2013, 2012 and 2011, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the Associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions

for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $171,710, $154,298 and $141,249 for the years ended December 31, 2013, 2012 and 2011, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities.

I. Income Taxes: The ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through the wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

J. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13, "Fair Value Measurements."

L. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2013		2012		2011	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 532,101,326**	**87.1%**	$ 510,052,015	85.7%	$ 576,435,004	86.3%
Production and intermediate term	**30,871,151**	**5.1%**	27,022,303	4.5%	17,070,866	2.6%
Agribusiness:						
Loans to cooperatives	**6,740,253**	**1.1%**	6,319,347	1.1%	1,458,572	0.2%
Processing and marketing	**13,706,635**	**2.2%**	11,127,631	1.9%	17,738,907	2.7%
Farm-related business	**6,475,138**	**1.1%**	16,484,456	2.8%	29,464,286	4.4%
Communication	**5,430,544**	**0.9%**	7,503,917	1.3%	3,473,526	0.5%
Energy	**1,659,788**	**0.3%**	2,812,624	0.5%	2,875,372	0.4%
Water and waste water	**1,428,456**	**0.2%**	-	0.0%	-	0.0%
Rural residential real estate	**12,681,373**	**2.0%**	13,226,081	2.2%	12,360,578	1.9%
Lease receivables	**100,667**	**0.0%**	109,491	0.0%	6,597,531	1.0%
Total	**$ 611,195,331**	**100.0%**	$ 594,657,865	100.0%	$ 667,474,642	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2013:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 6,969,072	$ 24,462,963	$ 5,690,135	$ -	$ 12,659,207	$ 24,462,963
Production and intermediate term	7,370,844	9,057,246	2,500,000	-	9,870,844	9,057,246
Agribusiness	8,194,749	-	5,867,976	4,036,426	14,062,725	4,036,426
Communication	5,430,544	-	-	-	5,430,544	-
Energy	1,659,788	-	-	-	1,659,788	-
Water and waste water	1,428,456	-	-	-	1,428,456	-
Total	$ 31,053,453	$ 33,520,209	$ 14,058,111	$ 4,036,426	$ 45,111,564	$ 37,556,635

Geographic Distribution by loan volume as of December 31, 2013 follows:

Parish	**2013**	2012	2011
Richland	**3.6%**	2.9%	2.5%
Madison	**3.6%**	2.9%	2.5%
Tangipahoa	**3.4%**	3.4%	3.2%
Saint Landry	**3.3%**	3.2%	2.7%
Concordia	**3.0%**	3.2%	3.4%
Morehouse	**3.0%**	2.8%	2.7%
East Carroll	**3.0%**	3.1%	3.9%
Bossier	**3.0%**	2.9%	2.0%
Ouachita	**2.9%**	1.9%	1.7%
Franklin	**2.8%**	3.5%	4.0%
Catahoula	**2.8%**	3.8%	4.6%
Acadia	**2.6%**	2.5%	2.1%
Avoyelles	**2.5%**	2.5%	1.8%
Tensas	**2.4%**	2.5%	3.0%
Rapides	**2.3%**	2.7%	3.0%
West Carroll	**2.1%**	1.7%	1.4%
Jefferson Davis	**2.0%**	2.1%	1.9%
Natchitoches	**1.6%**	1.8%	1.7%
De Soto	**1.5%**	1.7%	2.3%
Livingston	**1.4%**	1.3%	1.2%
Caddo	**1.3%**	1.5%	1.8%
Beauregard	**1.2%**	1.4%	1.7%
Pointe Coupee	**1.2%**	1.2%	1.1%
Vermilion	**1.1%**	1.0%	0.8%
Caldwell	**1.1%**	0.6%	0.7%
East Feliciana	**1.1%**	1.1%	1.1%
West Feliciana	**1.0%**	1.2%	1.0%
Saint Helena	**1.0%**	1.0%	0.9%
Lincoln	**1.0%**	0.8%	0.8%
Union	**1.0%**	1.0%	0.9%
Saint Tammany	**0.9%**	1.8%	2.2%
Ascension	**0.9%**	0.9%	1.2%
Washington	**0.8%**	0.8%	0.8%
Allen	**0.8%**	0.7%	0.7%
East Baton Rouge	**0.8%**	0.7%	0.7%
Webster	**0.7%**	0.6%	0.5%
Saint James	**0.7%**	1.4%	0.9%
Grant	**0.6%**	0.9%	0.8%
Calcasieu	**0.6%**	0.7%	0.5%
Evangeline	**0.5%**	0.5%	0.4%
Iberville	**0.5%**	0.6%	0.5%
Winn	**0.4%**	0.6%	0.5%
Other States	**21.6%**	20.0%	23.0%
Other	**6.4%**	6.6%	4.9%
Totals	**100.0%**	**100.0%**	**100.0%**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

Operation/Commodity	2013 Amount	2013 %	2012 Amount	2012 %	2011 Amount	2011 %
Timber	**224,666,979**	**36.8%**	242,267,250	41.0%	284,840,178	42.6%
Cash grains	**$ 102,639,003**	**16.8%**	$ 91,260,958	15.3%	$ 89,512,939	13.4%
Field crops except cash grains	**82,099,130**	**13.4%**	85,894,151	14.4%	109,217,524	16.4%
Livestock, except dairy and poultry	**69,603,696**	**11.4%**	66,814,963	11.2%	75,535,271	11.3%
Hunting, trapping and game propagation	**45,033,495**	**7.4%**	13,733,254	2.3%	16,193,654	2.4%
Food and kindred products	**22,230,677**	**3.6%**	23,203,975	3.9%	16,486,493	2.5%
Rural home loans	**12,448,630**	**2.0%**	11,217,480	1.9%	10,492,576	1.6%
Animal specialties	**12,036,674**	**2.0%**	12,167,696	2.0%	13,141,058	2.0%
General farms, primarily crops	**7,954,182**	**1.3%**	8,110,556	1.4%	6,893,317	1.0%
Communication	**5,430,544**	**0.9%**	7,503,917	1.3%	3,473,526	0.5%
General farms, primarily livestock	**4,837,415**	**0.8%**	5,277,421	0.9%	8,359,608	1.3%
Wholesale trade - nondurable goods	**4,826,432**	**0.8%**	3,130,959	0.5%	3,357,347	0.5%
Poultry and eggs	**3,929,618**	**0.6%**	3,740,282	0.6%	5,244,560	0.8%
Dairy farms	**2,528,873**	**0.4%**	3,036,087	0.5%	5,357,534	0.8%
Fruit and tree nuts	**1,809,890**	**0.3%**	-	0.0%	-	0.0%
Chemical and allied products	**1,791,799**	**0.3%**	2,389,995	0.4%	2,729,479	0.4%
Electric services	**1,659,788**	**0.3%**	-	0.0%	-	0.0%
Farm and garden machinery equipment	**722,164**	**0.1%**	-	0.0%	-	0.0%
Lumber and wood products, except furniture	**713,668**	**0.1%**	-	0.0%	-	0.0%
Vegetables and melons	**452,304**	**0.1%**	-	0.0%	-	0.0%
Paper and allied products	**356,401**	**0.1%**	-	0.0%	-	0.0%
Public warehousing and storage	**-**	**0.0%**	2,489,504	0.4%	4,522,865	0.7%
Building materials, hardware and garden supplies	**-**	**0.0%**	-	0.0%	293,062	0.0%
Other	**3,423,969**	**0.5%**	12,419,417	2.0%	11,823,651	1.8%
Total	**$ 611,195,331**	**100.0%**	$ 594,657,865	100.0%	$ 667,474,642	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

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

	December 31, 2013	December 31, 2012	December 31, 2011
Nonaccrual loans:			
Real estate mortgage	**$ 2,244,693**	$ 6,749,296	$ 21,395,866
Agribusiness	**1,245,856**	8,345,344	15,844,733
Communication	**-**	651,117	263,376
Rural residential real estate	**297,228**	32,530	37,267
Total nonaccrual loans	**3,787,777**	15,778,287	37,541,242
Accruing restructured loans:			
Real estate mortgage	**2,875,350**	2,785,300	2,153,511
Agribusiness	**-**	297,917	298,146
Rural residential real estate	**71,464**	-	-
Total accruing restructured loans	**2,946,814**	3,083,217	2,451,657
Accruing loans 90 days or more past due:			
Communication	**-**	301,237	-
Total accruing loans 90 days or more past due	**-**	301,237	-
Total nonperforming loans	**6,734,591**	19,162,741	39,992,899
Other property owned	**1,551,254**	7,096,725	6,635,494
Total nonperforming assets	**$ 8,285,845**	$ 26,259,466	$ 46,628,393

One credit quality indicator utilized by the Bank and the Association is the Farm Credit Administration's 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 December 31:

	2013	2012	2011
Real estate mortgage			
Acceptable	**97.36** %	95.60 %	93.20 %
OAEM	**1.15**	1.80	1.90
Substandard/doubtful	**1.49**	2.60	4.90
	100.00	100.00	100.00
Production and intermediate term			
Acceptable	**100.00**	100.00	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Loans to cooperatives			
Acceptable	**100.00**	100.00	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Processing and marketing			
Acceptable	**98.04**	81.30	79.20
OAEM	**-**	18.70	17.40
Substandard/doubtful	**1.96**	-	3.40
	100.00	100.00	100.00
Farm-related business			
Acceptable	**50.32**	6.50	11.40
OAEM	**-**	10.60	6.30
Substandard/doubtful	**49.68**	82.90	82.30
	100.00	100.00	100.00
Communication			
Acceptable	**94.06**	91.30	92.40
OAEM	**-**	-	-
Substandard/doubtful	**5.94**	8.70	7.60
	100.00	100.00	100.00
Energy			
Acceptable	**77.42**	86.00	85.00
OAEM	**-**	-	-
Substandard/doubtful	**22.58**	14.00	15.00
	100.00	100.00	100.00
Water and waste water			
Acceptable	**100.00**	-	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	-	-
Rural residential real estate			
Acceptable	**95.28**	96.40	94.20
OAEM	**1.40**	-	5.40
Substandard/doubtful	**3.32**	3.60	0.40
	100.00	100.00	100.00
Lease receivables			
Acceptable	**100.00**	100.00	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Total Loans			
Acceptable	**96.92**	93.04	89.50
OAEM	**1.03**	2.21	2.50
Substandard/doubtful	**2.05**	4.75	8.00
	100.00 %	100.00 %	100.00 %

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2013, 2012 and 2011:

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	**$ 649,514**	**$ 65,908**	**$ 715,422**	**$ 535,814,099**	**$ 536,529,521**	**$ -**
Production and intermediate-term	**-**	**-**	**-**	**31,040,800**	**31,040,800**	**-**
Loans to cooperatives	**-**	**-**	**-**	**6,772,167**	**6,772,167**	**-**
Processing and marketing	**-**	**-**	**-**	**13,729,895**	**13,729,895**	**-**
Farm-related business	**-**	**-**	**-**	**6,514,478**	**6,514,478**	**-**
Communication	**-**	**-**	**-**	**5,431,443**	**5,431,443**	**-**
Energy	**-**	**-**	**-**	**1,659,924**	**1,659,924**	**-**
Water and waste water	**-**	**-**	**-**	**1,429,170**	**1,429,170**	**-**
Rural residential real estate	**102,977**	**13,988**	**116,965**	**12,622,705**	**12,739,670**	**-**
Lease receivables	**-**	**-**	**-**	**100,667**	**100,667**	**-**
Total	**$ 752,491**	**$ 79,896**	**$ 832,387**	**$ 615,115,348**	**$ 615,947,735**	**$ -**

December 31, 2012:	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	$ 381,863	$ 4,983,941	$ 5,365,804	$ 509,439,008	$ 514,804,812	$ -
Production and intermediate-term	-	-	-	27,110,348	27,110,348	-
Loans to cooperatives	-	-	-	6,344,239	6,344,239	-
Processing and marketing	-	-	-	11,165,746	11,165,746	-
Farm-related business	-	5,232	5,232	16,511,410	16,516,642	-
Communication	-	301,236	301,236	7,203,202	7,504,438	301,236
Energy	-	-	-	2,812,856	2,812,856	-
Rural residential real estate	406,207	-	406,207	12,927,165	13,333,372	-
Lease receivables	-	-	-	114,112	114,112	-
Total	$ 788,070	$ 5,290,409	$ 6,078,479	$ 593,628,086	$ 599,706,565	$ 301,236

December 31, 2011:	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	$ 3,648,627	$ 19,594,577	$ 23,243,204	$ 559,779,694	$ 583,022,898	$ -
Production and intermediate-term	-	-	-	17,152,247	17,152,247	-
Loans to cooperatives	-	-	-	1,462,885	1,462,885	-
Processing and marketing	-	-	-	17,797,798	17,797,798	-
Farm-related business	-	6,742,978	6,742,978	22,866,377	29,609,355	-
Communication	-	-	-	3,475,349	3,475,349	-
Energy	-	-	-	2,875,867	2,875,867	-
Rural residential real estate	-	-	-	12,430,930	12,430,930	-
Lease receivables	-	-	-	6,621,986	6,621,986	-
Total	$ 3,648,627	$ 26,337,555	$ 29,986,182	$ 644,463,133	$ 674,449,315	$ -

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 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 December 31, 2013, the total recorded investment of troubled debt restructured loans was $4,228,860, including $1,258,405 classified as nonaccrual and $4,066,548 classified as accrual, with specific allowance for loan losses of $298,779. As of December 31, 2013, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $0.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the years ended December 31, 2013, 2012 and 2011. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

December 31, 2013:	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Troubled debt restructurings:		
Real estate mortgage	**$ 513,496**	**$ 510,155**
Farm-related business	**4,485,393**	**997,334**
Rural residential real estate	**75,272**	**82,299**
Total	**$ 5,074,161**	**$ 1,589,788**

December 31, 2012:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 692,455	$ 674,668
Total	$ 692,455	$ 674,668

December 31, 2011:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 1,757,388	$ 2,715,257
Production and intermediate term	334,930	296,554
Total	$ 2,092,318	$ 3,011,811

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). Charge-offs recorded at the modification date were $3,924,405 for the year ending December 31, 2013.

The predominant form of concession granted for troubled debt restructuring includes rate reduction and term extension. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

There were no loans that met the accounting criteria as a troubled debt restructuring during the period from January 1, 2012, through December 31, 2012, and for which there was also a payment default during the same period.

Additional commitments to lend to borrowers whose loans have been modified in TDRs was $0 million at December 31, 2012, and $0 million at December 31, 2011.

Note: In addition to the disclosures specified above, it is important to ensure that the TDR disclosures are transparent and provide sufficient detail for a reader of the financial statements to understand the details of loan modifications. Additional details of the loan modification may include quantification of the different types of concessions granted and classification of TDRs by accrual or nonaccrual status.

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

	Loans Modified as TDRs		
	December 31, 2013	December 31, 2012	December 31, 2011
Troubled debt restructurings:			
Real estate mortgage	**$ 2,899,035**	$ 2,785,300	$ 2,715,257
Production and intermediate term	**273,872**	-	-
Farm-related business	**977,254**	297,917	296,553
Rural residential real estate	**78,699**	-	-
Total	**$ 4,228,860**	$ 3,083,217	$ 3,011,810

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2013	**Unpaid Principal Balance[a]**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized**
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	**$ 392,243**	**$ 391,881**	**$ 13,816**	**$ 328,207**	**$ 13,900**
Processing and marketing	**268,602**	**316,746**	**128,526**	**217,423**	**(32)**
Farm-related business	**977,254**	**4,901,476**	**160,295**	**5,127,076**	**-**
Rural residential real estate	**249,138**	**249,138**	**9,493**	**44,407**	**9,951**
Total	**$ 1,887,237**	**$ 5,859,241**	**$ 312,130**	**$ 5,717,113**	**$ 23,819**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	**$ 4,686,977**	**$ 5,755,153**	**$ -**	**$ 5,407,209**	**$ 134,032**
Farm-related business	**-**	**246,407**	**-**	**2,046**	**-**
Rural residential real estate	**119,511**	**119,693**	**-**	**104,676**	**4,129**
Total	**$ 4,806,488**	**$ 6,121,253**	**$ -**	**$ 5,513,931**	**$ 138,161**
Total impaired loans:					
Real estate mortgage	**$ 5,079,220**	**$ 6,147,034**	**$ 13,816**	**$ 5,735,416**	**$ 147,932**
Processing and marketing	**268,602**	**316,746**	**128,526**	**217,423**	**(32)**
Farm-related business	**977,254**	**5,147,883**	**160,295**	**5,129,122**	**-**
Rural residential real estate	**368,649**	**368,831**	**9,493**	**149,083**	**14,080**
Total	**$ 6,693,725**	**$ 11,980,494**	**$ 312,130**	**$ 11,231,044**	**$ 161,980**

	Recorded Investment at 12/31/2012	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 1,381,758	$ 1,384,766	$ 807,607	$ 1,391,274	$ 15,125
Farm-related business	8,340,113	8,424,589	3,009,790	8,344,188	-
Communication	651,117	651,117	329,846	591,227	(791)
Total	$ 10,372,988	$ 10,460,472	$ 4,147,243	$ 10,326,689	$ 14,334
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 8,100,902	$ 8,158,613	$ -	$ 8,640,238	$ 133,937
Production and intermediate term	297,885	346,029	-	298,927	10,756
Farm-related business	5,232	342,585	-	3,181,574	-
Communication	301,205	301,205	-	272,660	8,116
Rural residential real estate	32,530	32,530	-	33,925	-
Total	$ 8,737,754	$ 9,180,962	$ -	$ 12,427,324	$ 152,809
Total impaired loans:					
Real estate mortgage	$ 9,482,660	$ 9,543,379	$ 807,607	$ 10,031,512	$ 149,062
Production and intermediate term	297,885	346,029	-	298,927	10,756
Farm-related business	8,345,345	8,767,174	3,009,790	11,525,762	-
Communication	952,322	952,322	329,846	863,887	7,325
Rural residential real estate	32,530	32,530	-	33,925	-
Total	$ 19,110,742	$ 19,641,434	$ 4,147,243	$ 22,754,013	$ 167,143

	Recorded Investment at 12/31/2011	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 2,622,956	$ 3,673,805	$ 859,981	$ 2,364,119	$ -
Production and intermediate term	9,009,589	9,226,256	4,347,341	8,829,974	-
Communication	263,376	263,376	236,000	337,167	-
Total	$ 11,895,921	$ 13,163,437	$ 5,443,322	$ 11,531,260	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 20,926,421	$ 32,084,642	$ -	$ 22,996,298	$ 116,855
Production and intermediate term	7,133,290	9,747,103	-	10,161,084	-
Rural residential real estate	37,267	37,795	-	39,196	26,676
Total	$ 28,096,978	$ 41,869,540	$ -	$ 33,196,578	$ 143,531
Total impaired loans:					
Real estate mortgage	$ 23,549,377	$ 35,758,447	$ 859,981	$ 25,360,417	$ 116,855
Production and intermediate term	16,142,879	18,973,359	4,347,341	18,991,058	-
Communication	263,376	263,376	236,000	337,167	-
Rural residential real estate	37,267	37,795	-	39,196	26,676
Total	$ 39,992,899	$ 55,032,977	$ 5,443,322	$ 44,727,838	$ 143,531

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

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2013.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2013	2012	2011
Interest income which would have been recognized under the original terms	**$ 974,036**	$ 881,948	$ 2,817,230
Less: interest income recognized	**(447,397)**	(177,295)	(374,650)
Foregone interest income	**$ 526,639**	$ 704,653	$ 2,442,580

A summary of the changes in the allowance for credit losses and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2012	$ 4,167,972	$ (122,313)	$ 5,444,170	$ 291,702	$ 49,830		$ 39,550	$ 21,112	$ 9,892,023
Charge-offs	(1,161,604)	-	(3,924,223)	-	-	-	(182)	-	(5,086,009)
Recoveries	45,328	-	90,946	-	-	-	-	-	136,274
Provision for loan losses	366,454	-	3,859	-	-	-	-	-	370,313
Balance at December 31, 2013	$ 3,418,150	$ (122,313)	$ 1,614,752	$ 291,702	$ 49,830	$ -	$ 39,368	$ 21,112	$ 5,312,601
Ending Balance: individually evaluated for impairment	$ 27,284	$ -	$ 1,230,007	$ -	$ -	$ -	$ 9,493	$ -	$ 1,266,784
Ending Balance: collectively evaluated for impairment	$ 3,390,866	$ (122,313)	$ 384,745	$ 291,702	$ 49,830	$ -	$ 29,875	$ 21,112	$ 4,045,817
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2013	$ 536,529,521	$ 31,040,800	$27,016,540	$ 5,431,443	$ 1,659,924	$1,429,170	$12,739,670	$ 100,667	$ 615,947,735
Ending balance for loans individually evaluated for impairment	$ 5,133,333	$ -	$ 3,486,728	$ -	$ -	$ -	$ 368,648	$ -	$ 8,988,709
Ending balance for loans collectively evaluated for impairment	$ 531,396,188	$ 31,040,800	$23,529,812	$ 5,431,443	$ 1,659,924	$1,429,170	$12,371,022	$ 100,667	$ 606,959,026

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2011	$ 4,284,145	$ 217,404	$ 5,444,170	$ 291,702	$ 49,830	$ -	$ 39,550	$ 21,112	$ 10,347,913
Charge-offs	(601,518)	(1,385,671)	-	-	-	-	-	-	(1,987,189)
Recoveries	485,345	19,955	-	-	-	-	-	-	505,300
Provision for loan losses	-	1,025,999	-	-	-	-	-	-	1,025,999
Balance at December 31, 2012	$ 4,167,972	$ (122,313)	$ 5,444,170	$ 291,702	$ 49,830	$ -	$ 39,550	$ 21,112	$ 9,892,023
Ending Balance: individually evaluated for impairment	$ -	$ -	$ 4,884,953	$ 329,846	$ -	$ -	$ -	$ -	$ 5,214,799
Ending Balance: collectively evaluated for impairment	$ 4,167,972	$ (122,313)	$ 559,217	$ (38,144)	$ 49,830	$ -	$ 39,550	$ 21,112	$ 4,677,224
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2012	$ 514,804,812	$ 27,110,348	$34,026,627	$ 7,504,438	$ 2,812,856	$ -	$13,333,372	$ 114,112	$ 599,706,565
Ending balance for loans individually evaluated for impairment	$ 15,853,494	$ 297,885	$ 1,031,381	$ 952,322	$ 943,130	$ -	$ 32,530	$ -	$ 19,110,742
Ending balance for loans collectively evaluated for impairment	$ 498,951,318	$ 26,812,463	$32,995,246	$ 6,552,116	$ 1,869,726	$ -	$13,300,842	$ 114,112	$ 580,595,823

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2010	$ 12,819,485	$ 2,257	$10,416,235	$ 237,922	$ 1,171	$ -	$ 4,399	$ 247	$ 23,481,716
Charge-offs	(14,776,040)	-	(14,411,670)	-	-	-	-	-	(29,187,710)
Recoveries	171,917	-	56,770	-	-	-	-	-	228,687
Provision for loan losses	6,068,783	215,147	9,382,835	53,780	48,659	-	35,151	20,865	15,825,220
Balance at December 31, 2011	$ 4,284,145	$ 217,404	$ 5,444,170	$ 291,702	$ 49,830	$ -	$ 39,550	$ 21,112	$ 10,347,913
Ending Balance: individually evaluated for impairment	$ 859,981	$ -	$ 4,347,341	$ 236,000	$ -	$ -	$ -	$ -	$ 5,443,322
Ending Balance: collectively evaluated for impairment	$ 3,424,164	$ 217,404	$ 1,096,829	$ 55,702	$ 49,830	$ -	$ 39,550	$ 21,112	$ 4,904,591
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2011	$ 583,022,898	$ 17,152,247	$48,870,038	$ 3,475,349	$ 2,875,867	$ -	$12,430,930	$ 6,621,986	$ 674,449,315
Ending balance for loans individually evaluated for impairment	$ 23,549,378	$ -	$16,142,878	$ 263,376	$ -	$ -	$ 37,267	$ -	$ 39,992,899
Ending balance for loans collectively evaluated for impairment	$ 559,473,520	$ 17,152,247	$32,727,160	$ 3,211,973	$ 2,875,867	$ -	$12,393,663	$ 6,621,986	$ 634,456,416

NOTE 4 – INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The investment in the Bank is a requirement of borrowing from the Bank and is carried at cost plus allocated equities, not fair value, in the accompanying balance sheet. Estimating the fair value of the Association's investment in the Bank is not practicable because the stock is not traded. The Association owns 4.4 percent of the issued stock of the Bank as of December 31, 2013. As of that date, the Bank's assets totaled $16.2 billion and members' equity totaled $1.4 billion. The Bank's earnings were $179.8 million during 2013.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2013	2012	2011
Land and improvements	**$ 627,272**	$ 648,250	$ 627,272
Building and improvements	**2,517,949**	2,474,533	2,485,990
Furniture and equipment	**715,098**	708,270	698,060
Computer equipment and software	**234,095**	220,395	185,905
Automobiles	**953,622**	875,187	732,875
	5,048,036	4,926,635	4,730,102
Accumulated depreciation	**(1,916,944)**	(1,790,640)	(1,709,652)
Total	**$ 3,131,092**	$ 3,135,995	$ 3,020,450

The Association leases office space in Alexandria, Tallulah, Crowley, Arcadia, Monroe, Pineville, and Port Allen, Louisiana and Austin, Texas. Lease expense was $178,680, $198,090 and $151,100 for 2013, 2012 and 2011, respectively. Minimum annual lease payments for the next five years are as follows:

	Operating
2014	$ 147,152
2015	101,784
2016	81,529
2017	48,202
2018	3,366
Total	$ 382,033

NOTE 6 – OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2013	2012	2011
Gain (loss) on sale, net	**$ 635,902**	$ 863,994	$ (540,107)
Operating expense, net	**(76,737)**	(88,602)	(364,550)
Net gain (loss) on other property owned	**$ 559,165**	$ 775,392	$ (904,657)

At December 31, 2013, other property owned consisted of timber tracts ($819,753) and equity stock ($731,502).

NOTE 7 – OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2013	2012	2011
Accounts Receivable	**$ 313,819**	$ 537,053	$ 349,244
Other	**-**	2,640	2,120
Total	**$ 313,819**	$ 539,693	$ 351,364

Other liabilities comprised the following at December 31:

	2013	2012	2011
Accumulated Postretirement Benefit Obligation	**$ 2,328,506**	$ 2,761,310	$ 2,362,720
Insurance Premium Payable	**454,893**	267,826	420,667
Accounts Payable	**31,876**	38,156	52,141
Income Taxes Payable	**7,416**	72,167	63,095
Other	**1,007,795**	291,627	274,404
Total	**$ 3,830,486**	**$ 3,431,086**	**$ 3,173,027**

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets, and is governed by a GFA. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2015, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank 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 December 31, 2013, 2012 and 2011, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2013, was $611,266,839, as defined by the GFA.

The Association was in full compliance with the GFA at and for the year ended December 31, 2013.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the GFA associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the year ended December 31, 2013, the Association was in full compliance with the GFA.

NOTE 9 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

The Association maintains an unallocated surplus account. The minimum amount for this account shall be prescribed by the Farm Credit Act and the FCA regulations. The Association does not have an allocated surplus account. Rather than earnings held therein and allocated to borrowers on a patronage basis, the Association funds 100 percent of any declared patronage through cash.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an Association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans) and participation certificates (for farm –related business) is equal to 2 percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates. If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2013, the Association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2013 and 2012:

Date Declared	Date Paid	Patronage
December 2013	**Anticipated April 2014**	**$ 3,000,000**
	Total 2013	**$ 3,000,000**
January 2013(2012)	April 2013(2012)	$ 1,700,134
	Total 2012	$ 1,700,134

There was no patronage declared or paid during 2011.

The FCA's capital adequacy regulations require the Association to achieve permanent capital and total surplus of at least 7.0 percent and core surplus of at least 3.5 percent of risk-adjusted assets and off-balance-sheet commitments. Failure to meet the ratio requirements can initiate certain mandatory and possibly additional discretionary actions by the FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to stockholders unless prescribed capital standards are met. As of December 31,

2013, the Association is not prohibited from retiring stock or distributing earnings. The Association's permanent capital ratio, core surplus ratio and total surplus ratio at December 31, 2013, were 18.5 percent, 18.1 percent and 18.1 percent, respectively.

The Association entered into a written agreement (Agreement) with our regulator, the FCA on March 15, 2011. Per the Agreement, the Association was subject to various operational, financial, compliance and reporting requirements. The conditions which led to this Agreement were unsafe and unsound conditions, including excessive portfolio risk and asset quality weakness which stemmed from weaknesses in the credit underwriting function which became apparent with the downturn in the overall economy. The board and management worked to remediate the underlying causes which led to the need for the Agreement with FCA. Effective January 23, 2014, the FCA terminated the Agreement with the Association.

The Association has a capital adequacy plan (Plan) that includes capital targets necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. In addition to factors that must be considered in meeting the minimum standards, the board of directors considered the following factors in developing the Plan:

- Capability of management
- Quality of operating policies, procedures and internal controls
- Quality and quantity of earnings
- Asset quality
- Sufficiency of liquid funds
- Needs of the ACA customer base
- Other operating risks

The Association's specific plan includes a minimum permanent capital ratio of 15.0 percent, with a target permanent capital ratio of 18.0 percent. Also included are total surplus ratio and core surplus ratio targets of 15.0 percent and 15.0 percent, respectively. The Association expects to provide the majority of its present and future capital needs through the issuance of at-risk stock and the generation and retention of earnings. If necessary to attain the desired capital levels the Association may employ strategies such as utilizing Farmer Mac guarantee programs to lower risk ratings, reducing earning assets through sale of loan participations, utilizing FSA loan guarantees, suspending payment of patronage, and/or increasing capitalization requirements. If capital standards are exceeded, the board of directors may retire or redeem certain classes of equities. The board of directors may obligate the Association to distribute its earnings in the form of patronage to its members.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A capital stock, Class B stock and participation certificates outstanding at a par value of $5 per share:

	2013	2012	2011
Class A stock	**549,373**	541,364	576,647
Participation certificates	**30,580**	29,419	28,425
Total	**579,953**	570,783	605,072

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) for the year ended December 31:

	2013	2012	2011
Accumulated other comprehensive loss at January 1	**$ 689,860**	$ 401,894	$ 44,159
Actuarial gains/(losses)	**(553,452)**	272,906	314,501
Amortization of prior service costs included in salaries and employee benefits	**52,738**	57,774	66,375
Amortization of actuarial gain included in salaries and employee benefits	**(62,352)**	(42,714)	(23,141)
Other comprehensive income (loss), net of tax	**(563,066)**	287,966	357,735
Accumulated other comprehensive income at December 31	**$ 126,794**	$ 689,860	$ 401,894

NOTE 10 — INCOME TAXES:

The provision for income taxes follows for the years ended December 31:

	2013	2012	2011
Current:			
Federal	**$ 43,286**	$ 99,398	$ 65,808
State	**-**	-	-
Total current	**43,286**	99,398	65,808
Deferred:			
Federal	**-**	(16,661)	(16,661)
State	**-**	-	-
Total deferred	**-**	(16,661)	(16,661)
Total provision for income taxes	**$ 43,286**	$ 82,737	$ 49,147

The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2013	2012	2011
Federal tax at statutory rate	**$ 3,213,083**	$ 3,138,826	$ (3,122,145)
State tax, net	**-**	18,001	(367,311)
Effect of nontaxable FLCA subsidiary	**(3,476,585)**	(3,048,253)	3,555,264
Patronage distributions	**(31,290)**	-	-
Other	**338,078**	(25,837)	(16,661)
Provision for income taxes	**$ 43,286**	$ 82,737	$ 49,147

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are composed of the following at December 31:

	2013	2012	2011
Deferred Tax Assets			
Other	**16,661**	16,661	16,661
Gross deferred tax assets	**16,661**	16,661	16,661
Net deferred tax asset	**$ 16,661**	$ 16,661	$ 16,661

The Association recorded valuation allowances of $0 during 2013, 2012 and 2011. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan.
These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the district's DB plan is characterized as multiemployer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and Associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon district combination only. The Association records current contributions to the DB plan as an expense in the current year.

The CEO and certain executive or highly-compensated employees in the Bank are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (Supplemental 401(k) Plan). This plan allows district employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow “make-up” contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee’s account in the Plan, and to designate a vesting schedule

The Association elected to participate in Elective Referrals. There were no payments or contributions made to or from the Supplemental 401(k) plan to active employees during 2013, 2012 or 2011.

The DB Plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Bank Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan’s funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Bank. The “projected unit credit” actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB Plan, to facilitate reorganization and/or restructuring. Actuarial information regarding the DB pension plan accumulated benefit obligation and plan asset is calculated for the district as a whole and is presented in the district’s Annual Report to Stockholders. The actuarial present value of vested and non-vested accumulated benefit obligation exceeded the net assets of the DB Plan as of December 31, 2013.

The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multiemployer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association’s contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
Funded status of plan	**77.3%**	65.0%	64.9%
Association's contribution	**$459,715**	$505,242	$1,284,190
Percentage of association's contribution to total contributions	**2.8%**	3.2%	5.6%

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 86.1 percent, 72.7 percent and 72.6 percent at December 31, 2013, 2012 and 2011, 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 multiemployer and, consequently, the liability for these benefits is included in other liabilities. The Association pays 100 percent of the medical insurance premium for a retiree with 30 years or more of service. For retiring employees with less than 30 years, a pro rata share of the premium is paid by the Association based on the years of service of the employee.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2013	2012	2011
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 2,761,310**	$ 2,362,720	$ 1,937,142
Service cost	**74,227**	65,622	60,355
Interest cost	**120,052**	119,046	109,399
Plan participants' contributions	**34,386**	30,158	19,901
Actuarial loss (gain)	**(553,452)**	272,906	314,501
Benefits paid	**(108,017)**	(89,142)	(78,578)
Accumulated postretirement benefit obligation, end of year	**$ 2,328,506**	$ 2,761,310	$ 2,362,720
Change in Plan Assets			
Company contributions	**73,631**	58,984	58,677
Plan participants' contributions	**34,386**	30,158	19,901
Benefits paid	**(108,017)**	(89,142)	(78,578)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (2,328,506)**	$ (2,761,310)	$ (2,362,720)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (2,328,506)**	$ (2,761,310)	$ (2,362,720)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 370,904**	$ 986,709	$ 756,516
Prior service cost (credit)	**(244,110)**	(296,848)	(354,622)
Total	**$ 126,794**	$ 689,861	$ 401,894
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2013**	12/31/2012	12/31/2011
Discount rate	**5.20%**	4.40%	5.10%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.50%/6.50%**	7.25%/6.50%	8.50%/6.75%
Health care cost trend rate assumed for next year - Rx	**6.50%**	7.75%	8.00%
Ultimate health care cost trend rate	**5.00%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	**2024**	2023	2018

Total Cost	2013	2012	2011
Service cost	$ 74,227	$ 65,622	$ 60,355
Interest cost	120,052	119,046	109,399
Amortization of:			
Unrecognized prior service cost	(52,738)	(57,774)	(66,375)
Unrecognized net loss (gain)	62,352	42,714	23,141
Net postretirement benefit cost	$ 203,893	$ 169,608	$ 126,520
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	$ (553,452)	$ 272,906	$ 314,501
Amortization of net actuarial loss (gain)	(62,352)	(42,714)	(23,141)
Amortization of prior service cost	52,738	57,774	66,375
Total recognized in other comprehensive income	$ (563,066)	$ 287,966	$ 357,735
AOCI Amounts Expected to be Amortized Into Expense in 2014			
Unrecognized prior service cost	(52,738)	(52,738)	(57,774)
Unrecognized net loss (gain)	12,686	62,352	42,713
Total	$ (40,052)	$ 9,614	$ (15,061)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	12/31/2012	12/31/2011	12/31/2011
Discount rate	4.40%	5.10%	5.70%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	7.25%/6.50%	8.50%/6.75%	7.50%/6.50%
Health care cost trend rate assumed for next year - Rx	7.75%	8.00%	10.00%
Ultimate health care cost trend rate	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2023	2018	2017

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)			
Fiscal 2014	$ 74,936	$ -	$ -
Fiscal 2015	77,571	-	-
Fiscal 2016	89,976	-	-
Fiscal 2017	104,942	-	-
Fiscal 2018	105,665	-	-
Fiscal 2019–2023	681,915	-	-
Expected Contributions			
Fiscal 2014	$ 74,936	$ -	$ -

NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons for the Association amounted to $20,488,747, $3,381,573 and $3,290,552 at December 31, 2013, 2012 and 2011, respectively. During 2013, $10,399,641 of new loans were made, and repayments totaled $1,946,521. In the opinion of management, no such loans outstanding at December 31, 2013, 2012 and 2011 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the Associations, such as FCSIC expenses. The Bank charges the individual Associations directly for these services based on each Association's proportionate usage. These expenses totaled $143,450, $125,515 and $207,636 in 2013, 2012 and 2011, respectively. As of April 2011, the Bank only bills Associations for direct pass-through expenses and no longer bills for allocated expenses. The impact of the change is an increase of allocated expenses of $17,935, which are included in purchased services on the statements of comprehensive income.

The Association received patronage payments from the Bank totaling $2,544,257, $2,723,149 and $3,203,113 during 2013, 2012 and 2011, respectively.

NOTE 13 — 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 2, "Summary of Significant Accounting Policies," for additional information.

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

December 31, 2013	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$2,916,596**	**$2,916,596**
Other property owned	**-**	**-**	**1,551,254**	**1,551,254**

December 31, 2012	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 6,216,034	$ 6,216,034
Other property owned	-	-	7,096,725	7,096,725

December 31, 2011	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 8,953,112	$ 8,953,112
Other property owned	-	-	6,635,494	6,635,494

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the balance sheet for each of the fair value hierarchy values are summarized as follows:

	December 31, 2013				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 49,942	$ 49,942	$ -	$ -	$ 49,942
Net loans	602,966,134	-	-	590,241,047	590,241,047
Total Assets	$ 603,016,076	$ 49,942	$ -	$ 590,241,047	$ 590,290,989
Liabilities:					
Note Payable to Farm Credit Bank of Texas	$ 494,649,196	$ -	$ -	$ 484,350,600	$ 484,350,600
Total Liabilities	$ 494,649,196	$ -	$ -	$ 484,350,600	$ 484,350,600

	December 31, 2012				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 1,056,223	$ 1,056,223	$ -	$ -	$ 1,056,223
Net loans	578,549,808	-	-	576,321,681	576,321,681
Total Assets	$ 579,606,031	$ 1,056,223	$ -	$ 576,321,681	$ 577,377,904
Liabilities:					
Note Payable to Farm Credit Bank of Texas	$ 489,740,488	$ -	$ -	$ 487,915,450	$ 487,915,450
Total Liabilities	$ 489,740,488	$ -	$ -	$ 487,915,450	$ 487,915,450

	December 31, 2011	
	Total Carrying Amount	Total Fair Value
Assets:		
Cash	$ 124,536	$ 124,536
Net loans	648,173,617	627,737,869
Total Assets	$ 648,298,153	$ 627,862,405
Liabilities:		
Note Payable to Farm Credit Bank of Texas	$ 575,155,017	$ 575,198,377
Total Liabilities	$ 575,155,017	$ 575,198,377

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," 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:

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.

NOTE 14 — COMMITMENTS AND CONTINGENCIES:

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary 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.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2013, $51,902,953 of commitments and $474,842 of commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 15 - REGULATORY ENFORCEMENT MATTERS:

The Association entered into an Agreement with the FCA on March 15, 2011. Per the Agreement, the Association was subject to various operational, financial, compliance and reporting requirements. The conditions which led to this Agreement were unsafe and unsound conditions, including excessive portfolio risk and asset quality weakness which stemmed from weaknesses in the credit underwriting function which became apparent with the downturn in the overall economy. The board and management worked to remediate the underlying causes which led to the need for the Agreement with FCA. Effective January 23, 2014, the FCA terminated the Agreement with the Association.

NOTE 16 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2013				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 4,282**	**$ 4,680**	**$ 4,280**	**$ 4,311**	**$ 17,553**
Provision for loan losses	**-**	**(352)**	**-**	**(18)**	**(370)**
Noninterest expense, net	**(2,163)**	**(1,965)**	**(2,068)**	**(1,807)**	**(8,003)**
Net income	**$ 2,119**	**$ 2,363**	**$ 2,212**	**$ 2,486**	**$ 9,180**

	2012				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,470	$ 4,394	$ 4,302	$ 4,342	$ 17,508
Provision for loan losses	-	(422)	(604)	-	(1,026)
Noninterest expense, net	(1,939)	(1,873)	(1,821)	(1,700)	(7,333)
Net income	$ 2,531	$ 2,099	$ 1,877	$ 2,642	$ 9,149

	2011				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,734	$ 4,728	$ 4,859	$ 4,608	$ 18,929
Provision for loan losses	(450)	(4,170)	(10,656)	(549)	(15,825)
Noninterest expense, net	(1,812)	(7,088)	(2,660)	(776)	(12,336)
Net income	$ 2,472	$ (6,530)	$ (8,457)	$ 3,283	$ (9,232)

NOTE 17 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 12, 2014, which is the date the financial statements were issued or available to be issued. There are no subsequent events to report.

DISCLOSURE INFORMATION AND INDEX

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

The Association serves its 64-parish territory through its main administrative and lending office at 2413 Tower Drive, Monroe, La. 71201. Additionally, there are 10 branch lending offices located throughout the territory. The Association owns the office buildings in Hammond, Monroe, Opelousas and Winnsboro, free of debt. The Association leases the office buildings in Arcadia, Alexandria, Crowley, Monroe, Pineville, Port Allen, and Tallulah, Louisiana and Austin, Texas.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, "Note Payable to the Bank," Note 11, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 13 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Bank as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The Farm Credit Bank of Texas and District Associations' (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 quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, La. 71201 or calling 318-387-7535. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing

debbie.bond@louisianalandbank.com. The Association's annual stockholder report is available on its website at *www.louisianalandbank.com* 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.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2013, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
R. Ernest Girouard, Jr.	Chairman	1990	2015
Bobby E. Stanley	Board Elected Director, Vice Chairman	1991	2015
Henry A. Capdeboscq, Jr.	Director	2008	2014
Grady E. Coburn	Director	2012	2016
John L. "Jack" Dailey	Director	2012	2016
John F. Earles	Director	2010	2016
Gertrude L. Hawkins	Director	2002	2014
Cullen M. Kovac	Director	2012	2015
J. Mark Morgan	Director	2011	2014
Edward W. Patrick, Jr.	Director	1994	2015
Cecelia A. Hoyt	Director	2013	2016
F. Stephen Austin	CEO	2011	-
Christopher E. Bentley	CFO	2008	-
Brian D. Turner	CCO	2012	-
David A. Ogletree	Senior VP of Retail Lending	1987	

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

R. Ernest Girouard, Jr. is employed by the LSU AgCenter, where he is the state coordinator of the Louisiana Master Farmer Program, which has been his primary occupation for the past five years. Mr. Girouard is also a landowner with rice and crawfish commodities. He is the chairman of the Vermilion Soil and Water Conservation District, a local state entity under the Louisiana Department of Agriculture and Forestry, Office of Soil and Water. He is second vice president of the Louisiana Association of Conservation Districts, a state association of conservation districts. He also is a member of the Louisiana Water Management Advisory Task Force and the Louisiana Agriculture and Forestry Nutrient Management Task Force.

Bobby E. Stanley is a business accountant, which has been his primary occupation for the past five years. He serves on the board of directors of a local community bank. Mr. Stanley also serves as treasurer/administrator for the 18th Judicial District Court and treasurer for the West Baton Rouge Parish Fire Protection Sub Districts #4, #5 and #6.

Henry A. Capdeboscq, Jr. is a dairy and beef cattle operator, which has been his primary occupation for the past five years. Mr. Capdeboscq serves on the Tangipahoa Parish Cattlemen's Association board, an organization serving the beef industry, and is a board member on the Louisiana Brand Commission. Mr. Capdeboscq is president of Louisiana Milk Producers.

Grady E. Coburn is the owner and president of Pest Management Enterprises, LLC, which has been his primary occupation throughout his professional career. Mr. Coburn has worked as an agricultural consultant and contract researcher for nearly 40 years. He serves on the Louisiana Department of Agriculture Pesticide Advisory Commission and the Boll Weevil Eradication Board.

John L. "Jack" Dailey is an owner and operator of Boeuf Prairie Farm, which produces cotton, corn and cattle, and this has been his primary operation for the past five years. Mr. Dailey serves as chairman of the Franklin Parish Fire Protection District 2 and serves as vice chairman of the Louisiana Boll Weevil Eradication Commission. He also serves as a producer delegate to the National Cotton Council of America.

John F. Earles owns and operates Triple E Farms, which has been his primary operation for the past five years. Mr. Earles is president of Townsend Brothers Farms and Triple E Land Grading. He is a board member of Goldust Investment, a timber organization, Ville Platte Rice Dryer, a commercial rice dryer organization, Earles, Inc., a land and rice dryer organization as well as Triple E Land Grading, a precision land leveling and development organization.

Gertrude L. Hawkins farms approximately 6,000 acres of cotton, corn, soybeans, sugarcane and wheat with her brother and has been engaged in this operation for the past five years. Mrs. Hawkins is a research associate for the LSU AgCenter Sugar Research Station. She manages the Edgar LaCour Land Company, which is a family-owned business consisting of timber and row crops. She is a board member of the Pointe Coupee Parish Farm Bureau.

Cullen M. Kovac is an owner/operator in Kovac Cattle, LLC, a cow/calf and stocker operation, which has been his primary operation for the past five years. Mr. Kovac serves on the boards of West Carroll Parish Farm Bureau; Pioneer Farmers Coop, an agricultural co-op; and Fiske Union Water System. He also serves as chairman of the West Carroll Soil and Water Conservation District board.

J. Mark Morgan has been employed by Atco Investment Company, a privately held company since 1974. Over the past 15 years, Mr. Morgan has been integrally involved in the investment activities and financial decisions of Atco. For the past 25 years, Mr. Morgan has served as the general manager of Atco-owned Bayou Camitte Plantation. Mr. Morgan serves on the board of directors of the Texas Forestry Association, an organization serving the timber industry, and is managing partner of Louisiana Timber Partners, LLC, a timber land investment organization. Mr. Morgan is the managing partner of Morgan Brothers Land Co. and Morgan Timber Partners, LLC, both family-owned land and timber investment companies.

Edward W. Patrick, Jr. is a self-employed farmer with 2,600 acres of cotton, rice, corn and soybeans, which has been his primary operation for the past five years. Mr. Patrick is part owner and operator of Joe's Bayou Gin and serves as president and director of Joe's Bayou Farm Supply. Mr. Patrick is a director on the East Carroll Farm Bureau Board.

Cecelia A. Hoyt is a retired Certified Public Accountant with over 30 years of broad accounting and business experience and expertise. She earned a B.S. degree in biology from the University of New York at Buffalo and a B.S. degree in accounting from Canisius College. She has served on the boards of a number of non-profit organizations and currently serves as the part-time controller and accounting manager for the law firm of Hoyt and Stanford, LLC in Lafayette, La.

F. Stephen Austin serves as the **Chief Executive Officer** for Louisiana Land Bank, ACA. Mr. Austin earned a B.S. degree in agriculture with a minor in marketing from Southeast Missouri State University. He also completed the Graduate School of Banking at Louisiana State University. His work experience includes over 17 years in lending and branch manager positions with Farm Credit System entities in Illinois and Missouri. Prior to his tenure with the Association, he served for over eight years as the senior lender of a regional five-bank holding company in southeast Missouri.

Christopher E. Bentley, Senior Vice-President/Chief Financial Officer, joined the Association in July 2008. He is a graduate of Louisiana Tech University with a bachelor of science degree in finance. Mr. Bentley has previously served as senior accountant, controller and director of compliance, controls and risk management for the Association. Prior to his employment with the Association, Mr. Bentley spent over four years working for a regional commercial bank, primarily with the commercial real estate lending group. Mr. Bentley also serves as chairman of the Association's asset/liability committee.

Brian D. Turner, Chief Credit Officer, joined the Association in January 2012. Mr. Turner has over 18 years' banking experience in credit analysis, commercial lending and risk management. Prior to joining the Association, Mr. Turner was employed for a local commercial bank for over 12 years and served as senior vice president/credit risk management and senior vice president of commercial lending, respectively. He received degrees from the University of Louisiana – Monroe (B.A., legal studies), Louisiana Tech (M.B.A., finance), and completed the Graduate School of Banking at Louisiana State University. Mr. Turner also serves as chairman of the Association's loan committee.

David A. Ogletree has been with the Association since 1987 and currently serves as **Senior Vice-President of Retail Lending**. He has a B.S. degree in animal science and agricultural business from Louisiana Tech University. Mr. Ogletree serves as a director on the Board of the Ark-La-Tex Agricultural Council which is a nonprofit organization that promotes agriculture in northwest Louisiana.

The Association's voting shareholders have the authority to cast a vote in an advisory vote on the Association's CEO and/or senior officer compensation if 5 percent of the total voting stockholders submit a petition to do so. The petition and the advisory vote will be conducted in accordance with the Association's policies and procedures. To date, no advisory votes on the Association's CEO and senior officer compensation have occurred as the authority to do so only became effective in December of 2012. If a vote were to occur in the future, the results would be shared with the shareholders. The results of any advisory vote are non-binding on the Association's compensation committee and the Association's board of directors.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $800 per day for director meetings, $425 per day for special meetings and $150 for teleconference calls, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2013 was paid at the IRS-approved rate of 56.5 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2013**
R. Ernest Girouard, Jr.	11	15	$ 24,875
Bobby E. Stanley	12	11	24,025
Henry A. Capdeboscq, Jr.	12	3	11,025
Grady E. Coburn	11	12	14,050
John L. "Jack" Dailey	12	7	13,175
John F. Earles	10	7	11,925
Gertrude L. Hawkins	11	6	11,500
Cullen M. Kovac	12	10	14,000
J. Mark Morgan	11	13	16,025
Edward W. Patrick, Jr.	12	6	12,750
Charles A. Vandersteen	8	15	13,500
Cecelia Hoyt	4	0	3,450
			$ 170,300

The aggregate compensation paid to directors in 2013, 2012 and 2011 was $170,300, $174,825 and $208,050, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows:

	Committee		
Director	Audit	Compensation	Compliance & Governance
R. Ernest Girouard, Jr.	$ 150	$	$ 4,825
Bobby E. Stanley	5,550		
Henry A. Capdeboscq, Jr.		2,125	1,700
Grady E. Coburn		2,975	575
John L. "Jack" Dailey	5,550		150
John F. Earles	2,850	1,700	
Gertrude L. Hawkins		4,125	575
Cullen M. Kovac	3,000		2,700
J. Mark Morgan	4,700		1,000
Edward W. Patrick, Jr.			5,100
Charles A. Vandersteen		2,125	1,275
Cecelia Hoyt	1,850		
	$ 23,650	$ 13,050	$ 17,900

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $36,473, $46,652 and $31,909 in 2013, 2012 and 2011, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Fair and uniform salary administration is important and an integral part of the success of Louisiana Land Bank, ACA. The Board of Directors (Board), through its Compensation Committee (Committee), has pursued a Salary Administration Plan for the Association that includes the specific objectives as listed below:

- To attract, retain and motivate all personnel needed for the association to achieve its strategic goals and project plans;
- To ensure fair and equitable compensation opportunities for those who hold positions of comparable responsibility and importance to the association;
- To meet legal requirements in all compensation practices;
- To provide objective methods for measuring the relative value of jobs within the association;
- To encourage the highest possible degree of employee performance, motivation and overall contribution to the association;
- To provide for recognition of and reward for differences in individual ability and performance;
- To establish and maintain salaries and grade ranges which position the association to be competitive in the marketplace;
- To establish procedures that will provide for the fair and consistent monitoring of the salary administration system and application of salary practices within our organization.

The Committee establishes the overall compensation structure and executive compensation philosophy and principles of the Association in order to ensure competitive compensation programs and retention of key management and staff talent. The Committee annually reviews the Salary Administration Plan which addresses merit increases, salary adjustments, incentive plans, bonuses, and employee benefits and approves these programs for senior officers and employees. Market salary data is derived from an independent third-party vendor through the Bank which is utilized to ensure that proper compensation structures are in line with market-comparable positions with similarly situated financial institutions. The study provides the basis for actions by the Committee to review, recommend and present to the Board plans for final approval. The Committee makes recommendations to the Board with regard to base salary, incentive and/or bonus payments and other compensation for the CEO and also approves the overall compensation program for senior officers. The Association's compensation program encompasses four primary elements: (1) base salary, (2) discretionary and/or incentive bonus compensation, (3) Association-paid retirement benefits and (4) secondary benefits such as annual leave, Association-paid life insurance, and Association-provided vehicles.

Certain employees of the Association participate in the Farm Credit Bank of Texas Pension Plan (the Pension Plan), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and

any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average of monthly eligible compensation after 1996 (FAC60). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times Years of Benefit Service and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation times (ii) – Years of Benefit Service (not to exceed 35).

Chief Executive Officer (CEO) Compensation Policy

The following table summarizes the compensation paid to the Association's CEO and all senior officers of the Association during 2013, 2012 and 2011. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group	Year	Salary(a)	Bonus(b)	Deferred/ Perquisite(c)	Other(d)	Total
F. Stephen Austin						
CEO	2013	$ **192,317**	**25,736**	**23,458**	**200**	$ **241,711**
Jesse A. Craft						
President/CEO	2013	51,252		21,892	187,337	**260,481**
	2012	205,008		19,152	211	**224,371**
	2011	205,008		22,029		**227,037**
Aggregate Number of Senior Officers (& other highly compensated empoyees, if applicable)						
5	2013	$ 733,370	$ 42,542	$ 77,342	$ 121,183	$ **974,437**
5	2012	648,723	16,571	50,325	135,916	**851,535**
5	2011	691,891	23,490	69,396	12,120	**796,897**

a) Gross Salary
b) Represents loan conversion, incentive rewards, spot bonuses and interim CEO pay adjustment for Mr. Austin.
c) Includes contributions to 401(k) and defined contribution plans, automobile benefits, and premiums paid for life insurance.
d) Includes annual leave hours purchased over 240 hours and severance pay.

Salary is the base salary compensation earned and paid during the respective year. Incentive compensation is earned and accrued in the current year, pursuant to the Association's incentive compensation plan. Over and above base salary, incentive compensation is available to all full-time, permanent employees, based upon the achievement of predetermined performance goals. The Association's incentive compensation plan and total incentive compensation dollars are approved annually by the Compensation Committee and are at the full discretion of the board of directors.

The incentive plan is a metric based plan that measures Association key result areas including specific Association target checks. Senior officers and employees are covered by the plan. The plan allocates potential incentive pay of a percentage of salary based on performance. Key result areas include loan volume growth, credit quality, and net income. The weighting of these areas is consistent with Association business goals as approved by the board of directors. In addition, targets are incorporated into the plan so that if the Association does not perform as required, then no incentive compensation is allocated to individuals. The target checks include minimum and zero compensation measurement of Association credit quality and earnings to derive a final incentive payout. Payment of incentive compensation is paid on a lump sum basis after the Compensation Committee recommends and the board of directors approves the final payouts.

Deferred and perquisite compensation includes retirement plan activity, which is contributions to 401(k) plans and defined benefit plans. Other compensation includes premiums paid for life insurance, employee's annual leave and auto income. Group term life insurance is provided to all employees in an amount equal to double the employees' respective salaries. To the extent that the value of this life insurance exceeds $50,000, an amount is added to each respective employee's taxable earnings using the IRS-approved calculations. Amounts relating to excess life insurance are included in "Other" in the table of High Five Compensation. Per Association policy, employees are allowed to carry over a maximum of 240 hours of annual leave from one fiscal year to the next. Policy also dictates that the employee must take 80 hours of leave each year. Employees are then paid for the excess hours over 240. If an employee fails to take the full 80 hours, hours to be paid are decreased by the number of hours that employee is short of reaching 80 hours. Amounts relating to 2013, 2012 and 2011 excess annual leave time paid to employees are included in "Other" in the table of High Five Compensation.

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2013 at the IRS-approved rate of 56.5 cents per mile.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

Neither the CEO nor any other senior officer received non-cash compensation exceeding $5,000 in 2013, 2012 or 2011.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

On October 3, 2012, FCA adopted a regulation that requires all System institutions to hold advisory votes on the compensation for all senior officers and/or the CEO when the compensation of either the CEO or the senior officer group increases by 15 percent or more from the previous reporting period. In addition, the regulation requires associations to hold an advisory vote on CEO and/or senior officer compensation when 5 percent of the voting stockholders petition for the vote and to disclose the petition authority in the annual report to shareholders. The regulation became effective December 17, 2012, and the base year for determining whether there is a 15 percent or greater increase was 2013. No association has held an advisory vote based on a stockholder petition in 2013.

On January 17, 2014, the President signed into law the Consolidated Appropriations Act, which includes language prohibiting the FCA from using any funds available to "to implement or enforce" the regulation. In addition, on February 7, 2014, the President signed into law the Agricultural Act of 2014. Section 5404 of the law directs FCA to within 60 days of enactment of the law "review its rules to reflect the Congressional intent that a primary responsibility of boards of directors of Farm Credit System institutions, as elected representatives of their stockholders, is to oversee compensation practices." FCA has not yet taken any action with respect to their regulation in response to these actions.

Other Supplemental Retirement Plans Funded by the Association on Behalf of Senior Officers and Employees

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2013 at the IRS-approved rate of 56.5 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2013, 2012 or 2011.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors has been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer on January 1, 2013 or at any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

There were no changes in the relationship with the independent auditor during 2013. The fees for professional services rendered for the Association by PricewaterhouseCoopers LLP during 2013 were $75,688 for audit and tax services.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers, LLC dated March 12, 2014, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of young, beginning and small farmers (YBS) and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standard possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets annual goals and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young," "beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of loan date
- Beginning: 10 years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250,000 in annual gross sales of agricultural products

The 2007 USDA Census of Agriculture for Louisiana indicates that 6.0 percent of farm operators are "young," 30.0 percent are "beginning" and 92.3 percent of the farms are "small."

Goals for YBS lending, as a percentage of the total loan portfolio and strategic performance levels are established as follows:

(The following percentages are cumulative in volume and categories are inclusive.)

% of total loan portfolio

Year	2014		2015		2016	
criteria	**% of loans**	**% of volume**	**% of loans**	**% of volume**	**% of loans**	**% of volume**
young	21.5	15.0	22.0	15.5	22.5	16.0
beginning	53.5	47.5	54.0	48.0	53.5	48.5
small	69.5	60.0	70.0	61.0	70.5	62.0

Goals for YBS lending as a percentage of annual new business activity for the year are established as follows:

(The following percentages are cumulative in volume and categories are inclusive.)

% of annual new business

Year	2014		2015		2016	
criteria	**% of loans**	**% of volume**	**% of loans**	**% of volume**	**% of loans**	**% of volume**
young	16.0	13.5	17.0	14.0	18.0	14.5
beginning	43.0	40.0	44.0	41.0	45.0	42.0
small	60.0	50.0	61.0	51.0	62.0	52.0