LOUISIANA LAND BANK, ACA

2014
Quarterly Report
Third Quarter

For the Quarter Ended September 30, 2014

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this 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 our knowledge and belief.

F. Stephen Austin

F. Stephen Austin, Chief Executive Officer
November 6, 2014

JM Morgan

James Mark Morgan, Acting Chairman, Board of Directors
November 6, 2014

Chris Bentley

Christopher E. Bentley, Chief Financial Officer
November 6, 2014

LOUISIANA LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, for the quarter and nine months ended September 30, 2014. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2013 Annual Report to Stockholders.

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

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

Significant Events:

On July 25th, 2014, the Association's stockholders approved an amendment to the Association's capitalization bylaws addressing the amount of stock a borrower must purchase as a condition of borrowing from the Association. Further details are discussed in Note 3, "Capital" to the financial statements included in this quarterly report.

In December of 2013, the Board declared a patronage of $3,000,000 to stockholders for 2013. Patronage checks were issued in April 2014.

The Association entered into a written agreement (Agreement) with our regulator, the FCA, on March 15, 2011. The Association's Board of Directors (Board) and management worked to remedy the underlying causes which led to the need for the Agreement with FCA. Effective January 23, 2014, the Association was released from this Agreement by the FCA.

Mr. Stanley resigned as Chairman of the Audit Committee effective August 26, 2014. Mrs. Hoyt was named Chairman of the Audit Committee that same day. Mr. Girouard resigned as Chairman of the Board effective October 28th, 2014. The Boards' Vice Chairman, Mr. Morgan, will serve as Acting Chairman until the Board meets in November to elect a new Chairman. Both Mr. Stanley and Mr. Girouard will continue to serve on the Board and will assist new leadership until their terms expire in 2015.

The Association's non-interest income for the three and nine months ended September 30, 2014 was significantly higher compared to the same periods in 2013. The increase is due to a one-time gain of $1,226,881 on the sale of one acquired property in August 2014.

Loan Portfolio:

Total loans outstanding at September 30, 2014, including nonaccrual loans and sales contracts, were $627,730,100 compared to $611,195,331 at December 31, 2013, reflecting an increase of 2.7 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.6 percent at September 30, 2014 and at December 31, 2013.

The Association recorded $15,853 in recoveries and $0 in charge-offs for the quarter ended September 30, 2014, and $15,853 in recoveries and $242,323 in charge-offs for the same period in 2013. The Association's allowance for loan losses was 0.8 percent and 0.9 percent of total loans outstanding as of September 30, 2014, and December 31, 2013, 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. The following table illustrates the Association's components and trends of high-risk assets.

	September 30, 2014		December 31, 2013	
	Amount	**%**	Amount	%
Nonaccrual	**$ 4,017,111**	**64.4%**	$ 3,787,777	45.7%
Formally restructured	**1,507,090**	**24.1%**	2,946,814	35.6%
Other property owned, net	**718,745**	**11.5%**	1,551,254	18.7%
Total	**$ 6,242,946**	**100.0%**	$ 8,285,845	100.0%

The non-accrual balance at September 30, 2014 is comprised of 25 loans with an average balance of $160,707. During the third quarter of 2014, other property owned was reduced primarily due to the sale of one acquired property.

Results of Operations:

The Association had net income of $3,811,731 and $9,127,369 for the three and nine months ended September 30, 2014, as compared to net income of $2,211,980 and $6,693,801 for the same periods in 2013, reflecting an increase of 72.3 and 36.4 percent, respectively. During the third quarter of 2014, the Association received income on the sale of acquired property in the amount of $1,226,881, which management considers a one-time, non-recurring event.

Net interest income was $4,347,160 and $13,831,620 for the three and nine months ended September 30, 2014, compared to $4,280,200 and $13,242,063 for the same periods in 2013.

	Nine months ended:			
	September 30, 2014		September 30, 2013	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 614,646,501**	**$ 20,457,175**	$ 601,044,156	$ 19,687,440
Investments	**-**	**-**	-	-
Total interest-earning assets	**614,646,501**	**20,457,175**	601,044,156	19,687,440
Interest-bearing liabilities	**496,345,885**	**6,625,555**	490,805,970	6,445,377
Impact of capital	**$ 118,300,616**		$ 110,238,186	
Net interest income		**$ 13,831,620**		$ 13,242,063

	2014 Average Yield	2013 Average Yield
Yield on loans	**4.45%**	4.38%
Total yield on interest-earning assets	**4.45%**	4.38%
Cost of interest-bearing liabilities	**1.78%**	1.76%
Interest rate spread	**2.67%**	2.62%
Net interest income as a percentage of average earning assets	**3.01%**	2.95%

	Nine months ended: September 30, 2014 vs. September 30, 2013		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	**$ 445,552**	**$ 324,183**	**$ 769,735**
Interest income - investments	**-**	**-**	**-**
Total interest income	**445,552**	**324,183**	**769,735**
Interest expense	**72,753**	**107,425**	**180,178**
Net interest income	**$ 372,799**	**$ 216,758**	**$ 589,557**

Interest income for the three and nine months ended September 30, 2014, increased by $129,879 and $769,735, or 2.0 and 3.9 percent, respectively, from the same period of 2013, primarily due to an increase in average loan volume and a one-time interest collection on non-accrual loans. Interest expense for the three and nine months ended September 30, 2014, increased by $62,919 and $180,178, or 2.9 and 2.8 percent, respectively, from the same periods of 2013 due to an increase in average debt volume. Average loan volume for the third quarter of 2014 was $620,387,097, compared to $612,046,594 in the third quarter of 2013. The average net interest rate spread on the loan portfolio for the third quarter of 2014 was 2.44 percent, compared to 2.46 percent in the third quarter of 2013.

The Association sold multiple automobiles during the first half of 2013, resulting in a gain from the sale of property. The Association sold one automobile during 2014. The Association is a member of a captive insurance group and income received from the captive is now reflected in other noninterest income.

The Association accrues for patronage income that is estimated to be received from the Farm Credit Bank of Texas (the Bank). Management monitors the accrual and adjusts the amount when needed.

The Association's return on average assets for the nine months ended September 30, 2014, was 1.93 percent compared to 1.45 percent for the same period in 2013. The Association's return on average equity for the nine months ended September 30, 2014, was 9.38 percent, compared to 7.31 percent for the same period in 2013.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Bank, which obtains its funds through the issuance of Systemwide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	September 30, 2014	December 31, 2013
Note payable to the bank	**$ 506,833,328**	$ 494,649,196
Accrued interest on note payable	**743,503**	751,711
Total	**$ 507,576,831**	$ 495,400,907

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2015. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $506,833,328 as of September 30, 2014, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.78 percent at September 30, 2014.

The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. Since December 31, 2013, the increase in note payable to the Bank is due to an increase in loan volume and the decrease in related accrued interest payable is due to a decrease in loan rates during 2014. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $120,367,428 at September 30, 2014. The maximum amount the Association may borrow from the Bank as of September 30, 2014, was $629,169,216 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 liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase accrual loan volume. The policy will continue to be pursued in 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 next twelve months.

Capital Resources:

The Association's capital position increased by $9,197,843 at September 30, 2014, compared to December 31, 2013. The Association's debt as a percentage of members' equity was 3.80:1 as of September 30, 2014, compared to 4.01:1 as of December 31, 2013.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at September 30, 2014, was 19.4 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at September 30, 2014, were 19.0 and 19.0 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012 and for nonpublic entities for annual periods beginning after December 15, 2013. The Association has adopted this guidance, which did not impact the financial condition or results of operations, but resulted in additional disclosures which are included in Note 3 – Capital.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. The guidance becomes effective for the first interim reporting period within the annual reporting periods after December 15, 2016. The Association is in the process of reviewing contracts to determine the effect, if any, on the Association's financial condition or its results of operations.

Regulatory Matters:

On June 12, 2014, the FCA approved a proposed rule to revise the requirements governing the eligibility of investments for System Banks and Associations. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System Banks and Associations,
- To ensure that System Banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption,
- To enhance the ability of the System Banks to supply credit to agricultural and aquatic producers,
- To comply with the requirements of section 939A of the Dodd-Frank Act,
- To modernize the investment eligibility criteria for System Banks, and

- To revise the investment regulation for System Associations to improve their investment management practices so they are more resilient to risk.

The public comment period ended on October 23, 2014.

On May 8, 2014, the FCA approved a proposed rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted while ensuring that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent, and
- To meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The public comment period ends on January 2, 2015.

Relationship With the Farm Credit Bank of Texas:

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

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

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, Louisiana 71201 or calling (318) 387-7535. The annual and quarterly stockholder reports for the Association are also available on its website at *www.louisianalandbank.com.* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *debbie.bond@louisianalandbank.com.*

LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash	**$ 203,664**	$ 49,942
Loans	**627,730,100**	611,195,331
Less: allowance for loan losses	**5,305,149**	5,312,601
Net loans	**622,424,951**	605,882,730
Accrued interest receivable	**7,463,347**	4,752,404
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**9,847,090**	9,847,090
Other	**1,595,072**	2,029,531
Deferred taxes, net	**16,661**	16,661
Other property owned, net	**718,745**	1,551,254
Premises and equipment, net	**3,004,688**	3,131,092
Other assets	**535,295**	313,820
Total assets	**$ 645,809,513**	$ 627,574,524
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 506,833,328**	$ 494,649,196
Accrued interest payable	**743,503**	751,711
Drafts outstanding	**118,951**	87,989
Dividends payable	**532**	3,000,040
Other liabilities	**3,660,254**	3,830,486
Total liabilities	**511,356,568**	502,319,422
MEMBERS' EQUITY		
Capital stock and participation certificates	**2,999,465**	2,899,765
Unallocated retained earnings	**131,610,316**	122,482,131
Accumulated other comprehensive income (loss)	**(156,836)**	(126,794)
Total members' equity	**134,452,945**	125,255,102
Total liabilities and members' equity	**$ 645,809,513**	$ 627,574,524

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
INTEREST INCOME				
Loans	**$ 6,608,326**	$ 6,478,447	**$ 20,457,175**	$ 19,687,440
Total interest income	**6,608,326**	6,478,447	**20,457,175**	19,687,440
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**2,261,166**	2,198,247	**6,625,555**	6,445,377
Total interest expense	**2,261,166**	2,198,247	**6,625,555**	6,445,377
Net interest income	**4,347,160**	4,280,200	**13,831,620**	13,242,063
PROVISION FOR LOAN LOSSES	**9,639**	-	9,639	351,945
Net interest income after provision for loan losses	**4,337,521**	4,280,200	**13,821,981**	12,890,118
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**519,231**	460,258	**1,554,638**	1,378,006
Loan fees	**25,559**	3,397	**93,015**	159,856
Financially related services income	**568**	687	**2,197**	2,533
Gain on other property owned, net	**1,215,502**	48,272	**1,197,817**	324,368
Gain on sale of premises and equipment, net	**-**	-	**46,695**	188,760
Other noninterest income	**118,824**	1,000	**168,985**	24,000
Total noninterest income	**1,879,684**	513,614	**3,063,347**	2,077,523
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,446,039**	1,631,994	**4,827,301**	5,141,347
Directors' expense	**59,879**	75,481	**237,716**	259,447
Purchased services	**127,264**	130,887	**392,572**	483,658
Travel	**131,897**	130,322	**389,077**	416,717
Occupancy and equipment	**124,102**	123,227	**363,552**	367,921
Communications	**41,916**	43,091	**116,446**	121,383
Advertising	**131,365**	110,835	**326,024**	287,763
Public and member relations	**46,080**	41,089	**190,621**	174,510
Supervisory and exam expense	**57,316**	58,917	**238,168**	252,286
Insurance Fund premiums	**134,925**	115,672	**405,228**	339,978
Other noninterest expense	**104,691**	120,319	**271,254**	385,544
Total noninterest expenses	**2,405,474**	2,581,834	**7,757,959**	8,230,554
Income before income taxes	**3,811,731**	2,211,980	**9,127,369**	6,737,087
Provision for income taxes	-	-	-	43,286
NET INCOME	**3,811,731**	2,211,980	**9,127,369**	6,693,801
Other comprehensive income(expense):				
Change in postretirement benefit plans	**(10,014)**	2,403	**(30,042)**	7,209
Other comprehensive income(expense), net of tax	**(10,014)**	2,403	**(30,042)**	7,209
COMPREHENSIVE INCOME	**$ 3,801,717**	$ 2,214,383	**$ 9,097,327**	$ 6,701,010

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2012	$ 2,853,915	$ 118,001,797	$ (689,860)	$ 120,165,852
Net income	-	6,693,801	-	6,693,801
Other comprehensive income	-	-	7,209	7,209
Comprehensive income	-	6,693,801	7,209	6,701,010
Capital stock/participation certificates and allocated retained earnings issued	396,565	-	-	396,565
Capital stock/participation certificates and allocated retained earnings retired	(339,695)	-	-	(339,695)
Patronage refunds:				
Cash	-	(1,699,904)	-	(1,699,904)
Balance at September 30, 2013	$ 2,910,785	$ 122,995,694	$ (682,651)	$ 125,223,828
Balance at December 31, 2013	$ 2,899,765	$ 122,482,131	$ (126,794)	$ 125,255,102
Net income	-	9,127,369	-	9,127,369
Other comprehensive income	-	-	(30,042)	(30,042)
Comprehensive income	-	9,127,369	(30,042)	9,097,327
Capital stock/participation certificates and allocated retained earnings issued	344,515	-	-	344,515
Capital stock/participation certificates and allocated retained earnings retired	(244,815)	-	-	(244,815)
Patronage refunds:				
Cash	-	816	-	816
Balance at September 30, 2014	**$ 2,999,465**	**$ 131,610,316**	**$ (156,836)**	**$ 134,452,945**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Association is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the 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 System, which was established by Acts of Congress to meet the needs of American agriculture.

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

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

GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, Associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013, as contained in the 2013 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2014. Descriptions of the significant accounting policies are included in the 2013 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012, and for nonpublic entities for annual periods beginning after December 15, 2013. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures (see Note 3 – Capital).

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended September 30, 2014, are not necessarily indicative of the results to be expected for the year ended December 31, 2014. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**September 30, 2014 Amount**	December 31, 2013 Amount
Production agriculture:		
Real estate mortgage	**$ 536,783,399**	$ 532,101,326
Production and intermediate term	**36,121,768**	30,871,151
Agribusiness:		
Loans to cooperatives	**7,448,031**	6,740,253
Processing and marketing	**6,841,433**	13,706,635
Farm-related business	**17,601,959**	6,475,138
Communication	**6,284,660**	5,430,544
Energy	**1,611,734**	1,659,788
Water and waste water	**1,135,041**	1,428,456
Rural residential real estate	**13,801,408**	12,681,373
Lease receivables	**100,667**	100,667
Total	**$ 627,730,100**	$ 611,195,331

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 6,070,264	$ 24,108,928	$ 4,320,234	$ -	$ 10,390,498	$ 24,108,928
Production and intermediate term	7,842,020	11,168,160	-	-	7,842,020	11,168,160
Agribusiness	7,787,437	-	5,363,321	4,347,570	13,150,758	4,347,570
Communication	6,284,659	-	-	-	6,284,659	-
Energy	1,611,734	-	-	-	1,611,734	-
Water and waste water	1,135,041	-	-	-	1,135,041	-
Total	$ 30,731,155	$ 35,277,088	$ 9,683,555	$ 4,347,570	$ 40,414,710	$ 39,624,658

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

	September 30, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	**$ 2,728,820**	$ 2,244,693
Agribusiness	**923,471**	1,245,856
Rural residential real estate	**364,820**	297,228
Total nonaccrual loans	**4,017,111**	3,787,777
Accruing restructured loans:		
Real estate mortgage	**1,309,891**	2,875,350
Rural residential real estate	**197,199**	71,464
Total accruing restructured loans	**1,507,090**	2,946,814
Total nonperforming loans	**5,524,201**	6,734,591
Other property owned	**718,745**	1,551,254
Total nonperforming assets	**$ 6,242,946**	$ 8,285,845

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

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

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2014	December 31, 2013
Real estate mortgage		
Acceptable	**98.1** %	97.4 %
OAEM	**0.4**	1.1
Substandard/doubtful	**1.5**	1.5
	100.0	100.0
Production and intermediate term		
Acceptable	**88.6**	100.0
OAEM	**11.4**	-
	100.0	100.0
Agribusiness		
Acceptable	**90.5**	87.0
Substandard/doubtful	**9.5**	13.0
	100.0	100.0
Energy and water/waste water		
Acceptable	**87.1**	87.9
OAEM	**12.9**	-
Substandard/doubtful	**-**	12.1
	100.0	100.0
Communication		
Acceptable	**95.2**	94.1
Substandard/doubtful	**4.8**	5.9
	100.0	100.0
Rural residential real estate		
Acceptable	**95.9**	95.3
OAEM	**1.5**	1.4
Substandard/doubtful	**2.6**	3.3
	100.0	100.0
Lease receivables		
Acceptable	**100.0**	100.0
	100.0	100.0
Total loans		
Acceptable	**97.0**	96.9
OAEM	**1.1**	1.0
Substandard/doubtful	**1.9**	2.1
	100.0 %	100.0 %

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

September 30, 2014	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,051,119**	**$ 467,692**	**$ 1,518,811**	**$ 542,271,072**	**$ 543,789,883**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**36,374,719**	**36,374,719**	**-**
Loans to cooperatives	**-**	**-**	**-**	**7,500,499**	**7,500,499**	**-**
Processing and marketing	**-**	**-**	**-**	**6,845,701**	**6,845,701**	**-**
Farm-related business	**-**	**-**	**-**	**17,644,713**	**17,644,713**	**-**
Communication	**-**	**-**	**-**	**6,285,116**	**6,285,116**	**-**
Energy	**-**	**-**	**-**	**1,611,870**	**1,611,870**	**-**
Water and waste water	**-**	**-**	**-**	**1,135,149**	**1,135,149**	**-**
Rural residential real estate	**120,145**	**14,656**	**134,801**	**13,766,215**	**13,901,016**	**-**
Lease receivables	**-**	**-**	**-**	**104,781**	**104,781**	**-**
Total	**$ 1,171,264**	**$ 482,348**	**$ 1,653,612**	**$ 633,539,835**	**$ 635,193,447**	**$ -**

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	$ -

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 September 30, 2014, the total recorded investment of troubled debt restructured loans was $2,591,046 including $1,083,956 classified as nonaccrual and $1,507,090 classified as accrual, with specific allowance for loan losses of $124,742. There were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring at September 30, 2014, and at December 31, 2013.

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 nine months ended September 30, 2014. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred. Loans formally restructured prior to January 1, 2014, were $393,093.

For the Three Months Ended September 30, 2014	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ -	$ -
Total	$ -	$ -

For the Three Months Ended September 30, 2013	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 119,249	$ 118,870
Farm-related business	4,485,393	997,334
Rural residential real estate	8,508	8,463
Total	$ 4,613,150	$ 1,124,667

For the Nine Months Ended September 30, 2014	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Rural residential real estate	$ 95,686	$ 131,195
Total	$ 95,686	$ 131,195

For the Nine Months Ended September 30, 2013	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 119,249	$ 118,870
Farm-related business	4,485,393	997,334
Rural residential real estate	67,556	75,021
Total	$ 4,672,198	$ 1,191,225

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 $0 for the quarter ending September 30, 2014.

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

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

Troubled debt restructurings that subsequently defaulted:	Recorded Investment at September 30, 2014	Recorded Investment at September 30, 2013
Real estate mortgage	$ 388,467	$ 124,250
Farm-related business	-	997,334
Rural residential real estate	135,090	73,663
Total	$ 523,557	$ 1,195,247

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 at:

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Real estate mortgage	$ 1,465,751	$ 2,899,035	$ 155,859	$ -
Production and intermediate term	-	273,872	-	273,872
Farm-related business	923,471	977,254	923,471	977,254
Rural residential real estate	201,824	78,699	4,626	7,579
Total	$ 2,591,046	$ 4,228,860	$ 1,083,956	$ 1,258,705

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

Additional impaired loan information is as follows:

	September 30, 2014			December 31, 2013		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ -**	**$ -**	**$ -**	$ 392,243	**$ 391,881**	**$ 13,816**
Production and intermediate term	**-**	**-**	**-**	268,602	**316,746**	**128,526**
Farm-related business	**923,471**	**4,847,694**	**124,742**	977,254	**4,901,476**	**160,295**
Rural residential real estate	**14,656**	**14,656**	**1,200**	249,138	**249,138**	**9,493**
Total	**$ 938,127**	**$ 4,862,350**	**$ 125,942**	$ 1,887,237	**$ 5,859,241**	**$ 312,130**
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 4,013,872**	**$ 5,079,788**	**$ -**	$ 4,686,977	**$ 5,755,153**	**$ -**
Farm-related business	**-**	**198,847**	**-**	-	**246,407**	**-**
Rural residential real estate	**546,838**	**548,204**	**-**	119,511	**119,693**	**-**
Total	**$ 4,560,710**	**$ 5,826,839**	**$ -**	$ 4,806,488	**$ 6,121,253**	**$ -**
Total impaired loans:						
Real estate mortgage	$ 4,013,872	$ 5,079,788	$ -	$ 5,079,220	$ 6,147,034	$ 13,816
Production and intermediate term	-	-	-	268,602	316,746	128,526
Farm-related business	923,471	5,046,541	124,742	977,254	5,147,883	160,295
Rural residential real estate	561,494	562,860	1,200	368,649	368,831	9,493
Total	**$ 5,498,837**	**$ 10,689,189**	**$ 125,942**	$ 6,693,725	**$ 11,980,494**	**$ 312,130**

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2014		September 30, 2013		**September 30, 2014**		September 30, 2013	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$ -**	**$ -**	$ 1,457,247	$ 4,044	**$ -**	**$ -**	$ 1,391,066	$ 10,445
Production and intermediate term	**-**	**-**	284,704	-	**-**	**-**	198,401	(32)
Farm-related business	**938,589**	**-**	3,234,709	-	**956,351**	**-**	6,521,787	-
Rural residential real estate	**14,623**	**-**	-	-	**14,408**	**-**	-	-
Total	**$ 953,212**	**$ -**	$ 4,976,660	$ 4,044	**$ 970,759**	**$ -**	$ 8,111,254	$ 10,413
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$ 3,838,313**	**$ 19,912**	$ 5,061,030	$ 32,770	**$ 3,620,965**	**$ 59,478**	$ 4,655,226	$ 90,413
Farm-related business	**1**	**-**	-	-	**2**	**-**	2,736	-
Communication	**-**	**-**	332,827	-	**-**	**-**	388,056	13,440
Energy and water/waste water	**-**	**-**	-	-	**-**	**-**	-	2,925
Rural residential real estate	**553,681**	**2,244**	108,691	922	**528,035**	**7,415**	108,450	-
Total	**$ 4,391,995**	**$ 22,156**	$ 5,502,548	$ 33,692	**$ 4,149,002**	**$ 66,893**	$ 5,154,468	$ 106,778
Total impaired loans:								
Real estate mortgage	**$ 3,838,313**	**$ 19,912**	**$ 6,518,277**	**$ 36,814**	**$ 3,620,965**	**$ 59,478**	**$ 6,046,292**	**$ 100,858**
Production and intermediate term	**-**	**-**	**284,704**	**-**	**-**	**-**	**198,401**	**(32)**
Farm-related business	**938,590**	**-**	**3,234,709**	**-**	**956,353**	**-**	**6,524,523**	**-**
Communication	**-**	**-**	**332,827**	**-**	**-**	**-**	**388,056**	**13,440**
Energy and water/waste water	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,925**
Rural residential real estate	**568,304**	**2,244**	**108,691**	**922**	**542,443**	**7,415**	**108,450**	**-**
Total	**$ 5,345,207**	**$ 22,156**	$10,479,208	$ 37,736	**$ 5,119,761**	**$ 66,893**	$13,265,722	$ 117,191

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Lease Receivables	Total
Allowance for Credit Losses:								
Balance at June 30, 2014	$ 3,416,340	$ (122,313)	$ 1,584,588	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,279,657
Charge-offs	-	-	-	-	-		-	-
Recoveries	-	-	15,853	-	-	-	-	15,853
Provision for loan losses	9,639	-	-	-	-	-	-	9,639
Balance at September 30, 2014	$ 3,425,979	$ (122,313)	$ 1,600,441	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,305,149
Balance at December 31, 2013	$ 3,418,150	$ (122,313)	$ 1,614,752	$ 291,702	$ 49,830	$ 39,368	$ 21,112	$ 5,312,601
Charge-offs	(3,398)	-	(61,871)	-	-	(970)	-	(66,239)
Recoveries	1,588	-	47,560	-	-	-	-	49,148
Provision for loan losses	9,639	-	-	-	-	-	-	9,639
Balance at September 30, 2014	$ 3,425,979	$ (122,313)	$ 1,600,441	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,305,149
Individually evaluated for impairment	$ 9,127	$ -	$ 991,993	$ -	$ -	$ 231	$ -	$ 1,001,351
Collectively evaluated for impairment	3,416,852	(122,313)	608,448	291,702	49,830	38,167	21,112	4,303,798
Balance at September 30, 2014	$ 3,425,979	$ (122,313)	$ 1,600,441	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,305,149
Balance at June 30, 2013	$ 4,565,182	$ (122,313)	$ 1,714,319	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 6,559,382
Charge-offs	(107,191)	-	(135,132)	-	-	-	-	(242,323)
Other	-	-	15,853	-	-	-	-	15,853
Balance at September 30, 2013	$ 4,457,991	$ (122,313)	$ 1,595,040	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 6,332,912
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	(107,191)	-	(3,924,223)	-	-	-	-	(4,031,414)
Recoveries	45,265	-	75,093	-	-	-	-	120,358
Provision for loan losses	351,945	-	-	-	-	-	-	351,945
Balance at September 30, 2013	$ 4,457,991	$ (122,313)	$ 1,595,040	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 6,332,912
Individually evaluated for impairment	$ 880,331	$ -	$ 1,230,007	$ -	$ -	$ 12,982	$ -	$ 2,123,320
Collectively evaluated for impairment	3,577,660	(122,313)	365,033	291,702	49,830	26,568	21,112	4,209,592
Balance at September 30, 2013	$ 4,457,991	$ (122,313)	$ 1,595,040	$ 291,702	$ 49,830	$ 39,550	$ 21,112	$ 6,332,912

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Lease Receivables	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at September 30, 2014	$543,789,883	$ 36,374,719	$31,990,912	$ 6,285,116	$ 2,747,019	$13,901,017	$104,781	$635,193,447
Individually evaluated for impairment	$ 4,065,353	$ -	$ 3,043,471	$ -	$ -	$ 561,494	$ -	$ 7,670,318
Collectively evaluated for impairment	$539,724,530	$ 36,374,719	$28,947,441	$ 6,285,116	$ 2,747,019	$13,339,523	$104,781	$627,523,129
Ending Balance at September 30, 2013	$ 4,457,991	$ (122,313)	$ 1,595,040	$ 291,702	$ 49,830	$ 39,550	$ -	$ 6,311,800
Individually evaluated for impairment	$ 880,331	$ -	$ 1,230,007	$ -	$ -	$ 12,982	$ -	$ 2,123,320
Collectively evaluated for impairment	$ 3,577,660	$ (122,313)	$ 365,033	$ 291,702	$ 49,830	$ 26,568	$ 21,112	$ 4,209,592

NOTE 3 — CAPITAL:

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

On July 25th, 2014, Association stockholders approved an amendment to the Association's capitalization bylaws addressing the amount of stock a borrower must purchase as a condition of borrowing from the Association.

The stock purchase required was applied on a per loan basis and measured as 2 percent of the individual loan amount up to a maximum of $1,000. Effective October 1, 2014, the stock requirement changed to be applied to the borrower level instead of the loan level. This will be measured as 2 percent of the aggregate of all a borrower's loans, up to a maximum of $1,000.

In relation to the amended stock requirement, the Board approved a "stock equalization" action or the refund of excess stock amounts to borrowers impacted by the conversion of the stock requirement from the loan level to the borrower level. The stock equalization refund is expected to have a minimal impact on the Association's permanent capital ratio. The stock equalization refund was completed in the fourth quarter of 2014.

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes, is as follows:

September 30, 2014	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 2,407,473**	**$ -**	**$ 2,407,473**
Total	**$ 2,407,473**	**$ -**	**$ 2,407,473**

September 30, 2013	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 2,851,815	$ -	$ 2,851,815
Total	$ 2,851,815	$ -	$ 2,851,815

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in “Salaries and employee benefits” in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the nine months ended September 30:

	2014	2013
Accumulated other comprehensive income (loss) at January 1	**$ (126,794)**	$ (689,860)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(39,551)**	(26,370)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**9,509**	31,176
Other comprehensive income (loss), net of tax	**(30,042)**	4,806
Accumulated other comprehensive income at September 30	**$ (156,836)**	$ (685,054)

NOTE 4 — INCOME TAXES:

Louisiana Land Bank, ACA and its subsidiary are subject to federal and certain other income taxes. The Associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the Associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During the nine months ended September 30, 2014, the Association did not participate in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management’s estimate, that they will not be realized. For the nine months ended September 30, 2014, and 2013, net income for tax purposes was $9,127,369 and $6,693,801.

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

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 to the 2013 Annual Report to Stockholders for a more complete description.

There were no assets and liabilities measured at fair value on a recurring basis as of September 30, 2014.

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

September 30, 2014	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ 5,232,573**	**$ 5,232,573**	**$ -**
Other property owned	**-**	**-**	**718,745**	**718,745**	**-**

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

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 2 to the 2013 Annual Report to Stockholders, authoritative 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 for the Association's assets and liabilities. For a more complete description, see Notes to the 2013 Annual Report to Stockholders.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans were collateral-dependent. 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, a majority of these loans have fair value measurements that fall within Level 3 of the fair value 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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and 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.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Bonds and Notes

Systemwide Debt Securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between System debt instruments and Treasury securities. We estimate an appropriate yield-spread taking into consideration selling group member (banks and securities dealers) yield indications, observed new government-sponsored enterprise debt security pricing, and pricing levels in the related U.S. dollar interest rate swap market.

Subordinated Debt

The fair value of subordinated debt is estimated based upon quotes obtained from a broker/dealer or based on discounted cash flows.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the nine months ended September 30:

	Other Benefits	
	2014	2013
Service cost	**$ 43,170**	$ 55,671
Interest cost	**89,401**	90,039
Amortization of prior service (credits) costs	**(39,551)**	(39,554)
Amortization of net actuarial (gain) loss	**9,509**	46,764
Net periodic benefit cost	**$ 102,529**	$ 152,920

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2014, was $2,407,473 and is included in "Other Liabilities" in the balance sheet.

The structure of the District's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and Associations). The Association recognizes its amortized annual contributions to the plan as an expense. As of September 30, 2014, $111,052 of contributions have been made. The Association presently anticipates contributing an additional $37,017 to fund the defined benefit pension plan in 2014 for a total of $148,068.

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the nine months ended September 30:

	2014	2013
Accumulated other comprehensive income (loss) at January 1	**$ (126,794)**	$ (689,860)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(39,551)**	(26,370)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**9,509**	31,176
Other comprehensive income (loss), net of tax	**(30,042)**	4,806
Accumulated other comprehensive income at September 30	**$ (156,836)**	$ (685,054)

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 6, 2014, which is the date the financial statements were issued.

Ernest Girouard resigned as Chairman of the Board effective October 28, 2014. The Vice-Chairman, Mark Morgan, is serving as Acting Chairman until the Board elects a new Chairman in November. Mr. Girouard will continue to serve as a Board member through the duration of his term.