Quarterly Report
March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA (the parent) and Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (the subsidiaries). This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our 2013 Annual Report for the year ended December 31, 2013.

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in Farm Credit Mid-America, ACA. To request free copies of the AgriBank and combined AgriBank and Affiliated Associations' financial reports or additional copies of our report contact:

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Louisville, KY 40232
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30 East 7th Street, Suite 1600
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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2013 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

While grain prices are down from last year at this time and the outcome of 2014 crops is unknown, assuming normal yields for grain producers, grain farmers should still be profitable. The livestock industries in our four states are generally experiencing positive returns. It appears planting could be delayed by cold soil temperatures and excessive moisture.

LOAN PORTFOLIO

Loans were $17.4 billion at March 31, 2014, a $277.7 million decrease from December 31, 2013. This decrease was due to farmers' elevated cash levels and loan repayments associated with our commercial volume. The drop in commercial volume was slightly offset by growth in our mortgage portfolio.

Portfolio Credit Quality

The credit quality of our portfolio has remained stable from December 31, 2013. Adversely classified loans have not changed from 2.4% of the portfolio at December 31, 2013. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

The following table summarizes risk information (accruing loans include accrued interest receivable) (dollars in thousands):

As of:	March 31 2014	December 31 2013
Loans:		
Non-accrual	**$ 211,422**	$ 211,521
Accruing restructured	**12,480**	12,434
Accruing loans 90 days or more past due	**9,160**	--
Total risk loans	**233,062**	223,955
Other property owned	**9,936**	10,495
Total risk assets	**$ 242,998**	$ 234,450
Risk loans as a percentage of total loans	**1.3%**	1.2%
Non-accrual loans as a percentage of total loans	**1.2%**	1.3%
Total delinquencies as a percentage of total loans	**0.8%**	0.7%

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

Non-accrual loans remained at an acceptable level at March 31, 2014 and 60.2% of our non-accrual loans were current.

The increase in accruing loans 90 days or more past due was primarily due to the delinquency of a single borrower. Based on our analysis, all loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

The following table presents comparative allowance coverage of various loan categories:

Allowance as a percentage of:	March 31 2014	December 31 2013
Loans	**0.3%**	0.3%
Non-accrual loans	**21.8%**	22.1%
Total risk loans	**19.8%**	20.9%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2014.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2014 totaled $77.6 million compared to $67.8 million for the same period in 2013. The following table illustrates profitability information:

For the three months ended March 31	2014	2013
Return on average assets	**1.6%**	1.4%
Return on average members' equity	**9.3%**	8.9%

Changes in our return on average assets and return on average members' equity are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section, and changes in capital discussed in the Funding, Liquidity, and Capital section.

The following table summarizes the changes in components of net income (in thousands):

For the three months ended March 31	2014	2013	Increase (decrease) in net income
Net interest income	$ 102,369	$ 95,119	$ 7,250
Provision for loan losses	926	3,989	3,063
Patronage income	15,191	13,593	1,598
Other income	5,575	5,030	545
Operating expenses	39,803	39,125	(678)
Provision for income taxes	4,761	2,797	(1,964)
Net income	$ 77,645	$ 67,831	$ 9,814

Net Interest Income

Net interest income was $102.4 million for the three months ended March 31, 2014. The following table quantifies changes in net interest income for the three months ended March 31, 2014 compared to the same period in 2013 (in thousands):

	2014 vs 2013
Changes in volume	$ 6,556
Changes in rates	561
Changes in non-accrual income and other	133
Net change	$ 7,250

Provision for Loan Losses

When compared to March 31, 2013, the provision expense at March 31, 2014 was lower due to improved credit quality.

Patronage Income

The change in patronage income was primarily related to increased patronage received from AgriBank due to a higher average balance on our note payable as well as a higher patronage rate compared to the prior year, partially offset by lower patronage income received on loans in the AgriBank Asset Pool Program due to a reduction in the average balance of loans in the program.

Other Income

The change in other income was primarily related to a one-time gain on the sale of certain leases to Farm Credit Leasing (FCL) (see section Relationship with Other Farm Credit Institutions for additional detail) and increased income on operating leases, partially offset by lower fee income.

Operating Expenses

When compared to March 31, 2013, operating expenses increased primarily due to increased Farm Credit System Insurance Corporation premiums and advertising expenses, partially offset by reduced salaries and benefits.

Provision for Income Taxes

The change in provision for income taxes was primarily related to increased income in our taxable entity as a result of the reversal of provision for loan losses in our taxable entity during the three months ended March 31, 2014 compared to the same period last year.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matured on April 30, 2014 and was renewed for $19.1 billion with a maturity date of April 30, 2015. The note payable will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at March 31, 2014 or December 31, 2013.

Total members’ equity increased $77.4 million from December 31, 2013 primarily due to net income for the period.

Farm Credit Administration (FCA) regulations require us to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. Refer to Note 8 in our 2013 Annual Report for a more complete description of these ratios. As of March 31, 2014, the ratios were as follows:

- The permanent capital ratio was 16.2%.
- The total surplus ratio was 15.7%.
- The core surplus ratio was 15.7%.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

RELATIONSHIP WITH AGRIBANK

We are required to invest in AgriBank capital stock as a condition of borrowing. On March 5, 2014, the AgriBank Board of Directors approved an amendment to the AgriBank capital plan which reduced the base required stock investment for all affiliated associations, including Farm Credit Mid-America, ACA, from 2.5% to 2.25% effective March 31, 2014.

RELATIONSHIP WITH OTHER FARM CREDIT INSTITUTIONS

In September 2012 we launched a partnership with FCL, a System entity specializing in leasing products and providing industry expertise. Leases are originated and serviced by FCL and we purchase an interest in the cash flows of the transaction in the form of a loan participation. There was approximately $123.8 million and $43.7 million of lease volume outstanding from customers to FCL under this new initiative, of which we held $77.0 million and $22.5 million as of March 31, 2014 and December 31, 2013, respectively. This arrangement provides our members with a broader selection of product offerings and enhanced lease expertise. At December 31, 2013 we held $79.3 million of lease volume originated prior to September 2012 in our retail sales offices. On January 2, 2014 we sold this lease volume to FCL. We simultaneously purchased approximately a 69% interest in the cash flows of the leases sold in the form of a loan participation. As part of the transaction, we recognized a gain of $667 thousand.

ADDITIONAL REGULATORY INFORMATION

On March 13, 2014, the FCA Board approved an interim final rule to remove all requirements related to advisory votes at Farm Credit institutions. Upon its effective date, advisory votes on CEO and/or senior officer compensation will no longer be required.

CERTIFICATION

The undersigned certify they have reviewed Farm Credit Mid-America, ACA's March 31, 2014 Quarterly Report. It has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

D. Kevin Cox

D. Kevin Cox
Chair of the Board
Farm Credit Mid-America, ACA

William L Johnson

William L. Johnson
Chief Executive Officer
Farm Credit Mid-America, ACA

Paul Bruce

Paul Bruce
Chief Financial Officer
Farm Credit Mid-America, ACA

May 9, 2014

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

As of:		March 31 2014		December 31 2013
ASSETS				
Loans	**$**	**17,392,076**	$	17,669,775
Allowance for loan losses		**46,174**		46,810
Net loans		**17,345,902**		17,622,965
Investment in AgriBank, FCB		**403,250**		448,181
Investment securities		**1,179,778**		1,227,018
Accrued interest receivable		**122,235**		132,836
Premises and equipment, net		**72,797**		69,760
Other earning assets		**--**		74,048
Other property owned		**9,936**		10,495
Assets held for lease, net		**365,824**		398,005
Other assets		**32,733**		49,067
Total assets	**$**	**19,532,455**	$	20,032,375
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**15,921,977**	$	16,479,097
Accrued interest payable		**77,238**		78,645
Deferred tax liabilities, net		**98,977**		115,774
Other liabilities		**43,463**		45,422
Total liabilities		**16,141,655**		16,718,938
Contingencies and commitments		**--**		--
MEMBERS' EQUITY				
Capital stock and participation certificates		**85,411**		85,693
Unallocated surplus		**3,305,389**		3,227,744
Total members' equity		**3,390,800**		3,313,437
Total liabilities and members' equity	**$**	**19,532,455**	$	20,032,375

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

For the three months ended March 31	**2014**	2013
Interest income	**$ 179,613**	$ 172,080
Interest expense	**77,244**	76,961
Net interest income	**102,369**	95,119
Provision for loan losses	**926**	3,989
Net interest income after provision for loan losses	**101,443**	91,130
Other income		
Patronage income	**15,191**	13,593
Financially related services income	**412**	466
Fee income	**1,327**	1,725
Operating lease income	**2,992**	2,536
Other property owned (losses) income, net	**(281)**	537
Miscellaneous income (losses), net	**1,125**	(234)
Total other income	**20,766**	18,623
Operating expenses		
Salaries and employee benefits	**22,903**	23,805
Other operating expenses	**16,900**	15,320
Total operating expenses	**39,803**	39,125
Income before income taxes	**82,406**	70,628
Provision for income taxes	**4,761**	2,797
Net income	**$ 77,645**	$ 67,831

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2012	$ 84,541	$ 2,919,345	$ 3,003,886
Net income	--	67,831	67,831
Capital stock and participation certificates issued	1,496	--	1,496
Capital stock and participation certificates retired	(1,394)	--	(1,394)
Balance at March 31, 2013	$ 84,643	$ 2,987,176	$ 3,071,819
Balance at December 31, 2013	$ 85,693	$ 3,227,744	$ 3,313,437
Net income	**--**	**77,645**	**77,645**
Capital stock and participation certificates issued	**1,048**	**--**	**1,048**
Capital stock and participation certificates retired	**(1,330)**	**--**	**(1,330)**
Balance at March 31, 2014	**$ 85,411**	**$ 3,305,389**	**$ 3,390,800**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2014 are not necessarily indicative of the results to be expected for the year ended December 31, 2014. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our 2013 Annual Report for the year ended December 31, 2013.

The consolidated financial statements present the consolidated financial results of Farm Credit Mid-America, ACA (the parent) and Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued, but are not yet effective, and have determined that no such standards are expected to have a material impact to our consolidated financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

As of:	**March 31, 2014**		December 31, 2013	
	Amount	%	Amount	%
Real estate mortgage	**$ 12,099,564**	**69.6%**	$ 12,077,663	68.3%
Production and intermediate term	**2,676,531**	**15.4%**	2,964,868	16.8%
Agribusiness	**1,172,089**	**6.7%**	1,113,251	6.3%
Rural residential real estate	**1,014,760**	**5.8%**	1,023,348	5.8%
Finance leases and other	**429,132**	**2.5%**	490,645	2.8%
Total	**$ 17,392,076**	**100.0%**	$ 17,669,775	100.0%

The finance leases and other category is comprised of finance leases, communication, international, energy, water and waste disposal related loans as well as loans originated under our mission related investment authority.

Delinquency

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (in thousands):

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
As of March 31, 2014						
Real estate mortgage	**$ 49,481**	**$ 41,256**	**$ 90,737**	**$ 12,087,679**	**$ 12,178,416**	**$ 5,766**
Production and intermediate term	**18,792**	**14,311**	**33,103**	**2,672,249**	**2,705,352**	**3,394**
Agribusiness	**162**	**38**	**200**	**1,176,369**	**1,176,569**	**--**
Rural residential real estate	**14,077**	**6,908**	**20,985**	**996,330**	**1,017,315**	**--**
Finance leases and other	**203**	**--**	**203**	**429,693**	**429,896**	**--**
Total	**$ 82,715**	**$ 62,513**	**$ 145,228**	**$ 17,362,320**	**$ 17,507,548**	**$ 9,160**
As of December 31, 2013						
Real estate mortgage	$ 45,229	$ 35,585	$ 80,814	$ 12,081,768	$ 12,162,582	$ --
Production and intermediate term	9,918	11,334	21,252	2,976,922	2,998,174	--
Agribusiness	144	37	181	1,117,820	1,118,001	--
Rural residential real estate	15,675	7,085	22,760	1,003,061	1,025,821	--
Finance leases and other	--	223	223	490,825	491,048	--
Total	$ 70,966	$ 54,264	$ 125,230	$ 17,670,396	$ 17,795,626	$ --

Risk Loans

The following table presents risk loan information (accruing loans include accrued interest receivable) (in thousands):

As of:	March 31 2014	December 31 2013
Volume with specific reserves	**$ 24,484**	$ 22,172
Volume without specific reserves	**208,578**	201,783
Total risk loans	**$ 233,062**	$ 223,955
Total specific reserves	**$ 4,858**	$ 4,931

For the three months ended March 31	2014	2013
Income on accrual risk loans	**$ 325**	$ 217
Income on non-accrual loans	**2,529**	2,396
Total income on risk loans	**$ 2,854**	$ 2,613
Average risk loans	**$ 231,197**	$ 253,169

Risk loans have increased due to the volume of accruing loans 90 days or more past due primarily related to a single borrower.

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

The following table presents information regarding troubled debt restructurings that occurred during the three months ended March 31 (in thousands):

	2014		2013	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 912**	**$ 1,405**	$ 2,953	$ 2,957
Production and intermediate term	**104**	**73**	20,192	20,193
Agribusiness	**--**	**--**	277	278
Rural residential real estate	**107**	**81**	115	88
Total	**$ 1,123**	**$ 1,559**	$ 23,537	$ 23,516

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off. The post-modification investment resulted from a loan which was participated prior to the restructuring, but after the restructuring was no longer participated. Therefore, our recorded investment in the restructured loan increased.

The following table presents troubled debt restructurings that defaulted during the three months ended March 31 in which the modification date was within twelve months of the respective reporting period (in thousands):

	2014	2013
Real estate mortgage	**$ 29**	$ 1,718
Production and intermediate term	**172**	56
Rural residential real estate	**66**	272
Total	**$ 267**	$ 2,046

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

As of:	March 31 2014	December 31 2013
Troubled debt restructurings in accrual status	**$ 12,480**	$ 12,434
Troubled debt restructurings in non-accrual status	**24,935**	24,569
Troubled debt restructurings	**$ 37,415**	$ 37,003

Troubled debt restructuring activity for the three months ended March 31, 2014 was substantially offset by charge-offs related to collateral analysis as well as payments on restructured loans.

There were no additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at March 31, 2014.

Allowance for Loan Losses

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

Three months ended March 31		**2014**		2013
Balance at beginning of year	**$**	**46,810**	$	60,650
Provision for loan losses		**926**		3,989
Loan recoveries		**986**		1,356
Loan charge-offs		**(2,548)**		(6,135)
Balance at end of period	**$**	**46,174**	$	59,860

The balance of allowance for loan losses decreased slightly from year end 2013 due to the decrease in loan volume as a result of repayments and net charge-offs of loans determined to be uncollectible. There were no significant changes in the adverse credit quality of the loan portfolio.

NOTE 3: INVESTMENT IN AGRIBANK

As of March 31, 2014, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. Previously, the required investment was equal to 2.5%.

The balance of our investment in AgriBank, all required stock, was $403.3 million at March 31, 2014 and $448.2 million at December 31, 2013.

NOTE 4: INVESTMENT SECURITIES AND OTHER EARNING ASSETS

We held investment securities of $1.2 billion at both March 31, 2014 and December 31, 2013. Our investment securities consisted of:

- securities containing loans guaranteed by the Small Business Administration,
- investment securities made up of Farm Services Administration securities, and
- securities issued by the United States Department of Agriculture.

Our investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

The following table presents further information on investment securities (dollars in thousands):

	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
As of March 31, 2014									
MBS	**2.7%**	**$**	**1,053,526**	**$**	**6,853**	**$**	**18,387**	**$**	**1,041,992**
ABS	**2.6%**		**126,252**		**4,012**		**346**		**129,918**
Total	**2.7%**	**$**	**1,179,778**	**$**	**10,865**	**$**	**18,733**	**$**	**1,171,910**
As of December 31, 2013									
MBS	2.7%	$	1,086,943	$	7,498	$	19,671	$	1,074,770
ABS	2.4%		140,075		4,439		411		144,103
Total	2.6%	$	1,227,018	$	11,937	$	20,082	$	1,218,873

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $8.0 million and $8.8 million for the three months ended March 31, 2014 and 2013, respectively.

The following table presents contractual maturities of our investment securities (in thousands):

As of March 31, 2014		Amortized Cost
Less than one year	**$**	**197**
One to five years		**55,900**
Five to ten years		**201,594**
More than ten years		**922,087**
Total	**$**	**1,179,778**

Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

A summary of investments in an unrealized loss position presented by the length of time the investments have been in continuous unrealized loss position follows (in thousands):

	Less than 12 months		Greater than 12 months	
As of March 31, 2014	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$ 43,821**	**$ 2,758**	**$ 714,548**	**$ 15,629**
ABS	**2,150**	**5**	**17,597**	**341**
Total	**$ 45,971**	**$ 2,763**	**$ 732,145**	**$ 15,970**

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At March 31, 2014, the majority of the $18.7 million unrealized loss represents unamortized premium.

Other earning assets result from successor-in-interest contracts from our involvement with the federal government's tobacco buy-out program. We discontinued the purchase of additional contracts during 2011. The final payments were received in January 2014 and as of March 31, 2014 we no longer hold any of these assets. The volume was $74.0 million at December 31, 2013.

NOTE 5: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments, primarily commitments to extend credit, which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Notes 2 and 13 in our 2013 Annual Report for a more complete description of the three input levels.

Non-Recurring Basis

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2014 or December 31, 2013. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis follows (in thousands):

	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
As of March 31, 2014					
Loans	**$ --**	**$ 20,607**	**$ --**	**$ 20,607**	**$ (2,475)**
Other property owned	**--**	**--**	**10,333**	**10,333**	**(159)**
As of December 31, 2013					
Loans	$ --	$ 18,104	$ --	$ 18,104	$ (17,238)
Other property owned	--	--	10,915	10,915	(1,741)

Valuation Techniques

Loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 9, 2014, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.