UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2014

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______________ to _______________

Commission File No. 001-35679

MADISON COUNTY FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of Company or organization)	**46-0658311** (I.R.S. Employer Identification Number)
111 West Third Street, Madison, Nebraska (Address of Principal Executive Offices)	**68748** Zip Code

(402) 454-6511
(Registrant's telephone number)

N/A
(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.
YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ☐ NO ☒

As of May 2, 2014, 3,067,482 shares of the Registrant's common stock, par value $0.01 per share, were issued and outstanding.

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Item 1. Financial Statements

Madison County Financial, Inc.
Condensed Consolidated Balance Sheets
(Dollars in Thousands, except share and per share data)

	March 31, 2014 (Unaudited)	December 31, 2013
Assets		
Cash and due from banks	$ 2,293	$ 4,067
Interest-earning demand accounts	5,107	52
Cash and cash equivalents	7,400	4,119
Certificates of deposit	1,000	1,000
Investment securities:		
Available for sale, at fair value	11,342	9,719
Held to maturity, at amortized cost (fair value of $34,034 and $32,892, respectively)	34,515	34,144
Loans held for sale	153	269
Loans receivable, net of allowance for losses of $6,456 and $6,171, respectively	216,687	224,345
Stock in Federal Home Loan Bank ("FHLB") of Topeka	1,203	1,472
Premises and equipment, net	2,164	2,199
Bank-owned life insurance ("BOLI")	6,293	4,750
Accrued interest receivable	2,645	3,807
Core deposit intangible	620	654
Goodwill	481	481
Other assets	3,067	3,136
Total assets	$ 287,570	$ 290,095
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 215,370	$ 205,706
Borrowings	7,000	20,000
Accrued interest payable	97	99
Other liabilities	3,999	2,898
Total liabilities	226,466	228,703
Commitments and contingencies		
Stockholders' Equity		
Common stock, $.01 par value per share:		
Issued and outstanding - 3,076,482 and 3,035,844 respectively	30	30
Additional paid in capital	27,125	28,035
Unearned employee stock ownership plan (ESOP)	(2,325)	(2,350)
Retained earnings	36,238	35,723
Accumulated other comprehensive income (loss)	36	(46)
Total stockholders' equity	61,104	61,392
Total liabilities and stockholders' equity	$ 287,570	$ 290,095

See notes to condensed consolidated financial statements

Madison County Financial, Inc.
Condensed Consolidated Statements of Income
(Dollars in Thousands, except share and per share data)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(Unaudited)	
Interest and Dividend Income		
Loans receivable, including fees	$ 2,679	$ 2,578
Investment securities - taxable	87	83
Investment securities - non-taxable	258	197
Other	8	21
Total interest income	3,032	2,879
Interest Expense		
Deposits	381	383
Borrowings	56	54
Total interest expense	437	437
Net interest income	2,595	2,442
Provision for loan losses	285	255
Net Interest Income After Provision for Loan Losses	2,310	2,187
Other Income		
Service charges on deposit accounts	59	48
ATM and credit card fees	35	31
Loan servicing income, net	56	49
Gain on sale of loans	91	167
Increase in surrender value of life insurance	43	38
Insurance commission income	86	89
Other income	14	36
Total other income	384	458
Other Expense		
Salaries and employee benefits	1,086	950
Director fees and benefits	388	20
Net occupancy	125	117
Data processing fees	45	61
Professional fees	136	135
Advertising	26	27
Supplies	37	31
FDIC insurance premiums	33	31
Core deposit intangible amortization	34	39
Other expense	148	196
Total other expense	2,058	1,607
Income Before Income Tax Expense	636	1,038
Income tax expense	121	286
Net Income	$ 515	$ 752
Earnings Per Share:		
Basic	$ 0.18	0.26
Diluted	0.18	0.26
Dividends Per Share	-	-

See notes to condensed consolidated financial statements.

Madison County Financial, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Dollars in Thousands)

	Three Months Ended March 31, 2014	2013
	(Unaudited)	
Net Income	$ 515	$ 752
Other Comprehensive Income (Loss)		
Unrealized gains (losses) on available-for-sale securities, net of tax expense (benefit) of $43 and $(13), for 2014 and 2013, respectively	82	(25)
	82	(25)
Comprehensive Income	$ 597	$ 727

See notes to condensed consolidated financial statements.

Madison County Financial, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Dollars in Thousands, except share and per share data)

	Common Stock						
	Shares Outstanding	Amount	Additional Paid-in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
				(Unaudited)			
Balance, January 1, 2014	3,035,844	$ 30	$ 28,035	$ (2,350)	$ 35,723	$ (46)	$ 61,392
Net income					515		515
Other comprehensive income						82	82
ESOP shares earned			19	25			44
Restricted Shares Issued	115,000	1	(1)				-
Stock Based Compensation			390				390
Shares repurchased	(74,362)	(1)	(1,318)	-			(1,319)
Balance, March 31, 2014	3,076,482	30	$ 27,125	$ (2,325)	$ 36,238	$ 36	$ 61,104
Balance, January 1, 2013	3,193,054	$ 32	$ 30,693	$ (2,452)	$ 33,530	$ 261	$ 62,064
Net income					752		752
Other comprehensive loss						(25)	(25)
ESOP shares earned			16	25			41
Balance, March 31, 2013	3,193,054	$ 32	$ 30,709	$ (2,427)	$ 34,282	$ 236	$ 62,832

See notes to condensed consolidated financial statements.

Madison County Financial, Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Operating activities:		
Net income	$ 515	$ 752
Items not requiring cash:		
Provision for loan losses	285	255
Depreciation and amortization	53	55
Investment securities amortization, net	1	5
Core deposit intangible amortization	34	39
Loans originated for sale in the secondary market	(3,555)	(9,366)
Proceeds from loan sales in the secondary market	3,737	9,303
Gain on loans sold	(91)	(167)
Increase in surrender value of life insurance	(43)	(38)
Stock based compensation	390	-
Net change in:		
Accrued interest receivable	1,162	1,330
Accrued interest payable	(2)	(2)
Other adjustments	617	750
Net cash provided by operating activities	3,103	2,916
Investing activities:		
Purchases of investment securities available for sale	(1,500)	(1,298)
Proceeds from maturities of investment securities available for sale	-	350
Purchases of investment securities held to maturity	(854)	(2,367)
Proceeds from maturities of investment securities held to maturity	1,060	622
Proceeds from redemption of FHLB stock	272	-
Net change in loans receivable	7,373	14,659
Purchases of premises and equipment	(18)	(40)
Purchase of bank-owned life insurance	(1,500)	-
Net cash provided by investing activities	4,833	11,926
Financing activities:		
Net change in checking and money market savings accounts	10,279	22,118
Net change in certificates of deposit	(615)	(1,050)
Net change in short-term borrowings	(13,000)	-
Repurchased shares	(1,319)	-
Net cash provided by (used in) financing activities	(4,655)	21,068
Net Change in Cash and Cash Equivalents	3,281	35,910
Cash and Cash Equivalents, Beginning of Period	4,119	7,918
Cash and Cash Equivalents, End of Period	$ 7,400	$ 43,828
Additional Cash Flows Information:		
Interest paid	$ 439	$ 439
Taxes paid	23	-

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Madison County Bank (the "Bank"), a wholly owned subsidiary of Madison County Financial, Inc. (the "Company"), is engaged in providing a full range of banking and financial services to individual and corporate customers in the areas surrounding Madison, Nebraska. The Bank is subject to competition from other financial institutions. The Company is subject to the regulation of the Federal Reserve Board and the Bank is subject to the regulation of the Comptroller of the Currency ("OCC") and both undergo periodic examinations by such authority.

On October 3, 2012, Madison County Holding Company, MHC, (the "MHC), the Bank's former federally chartered mutual holding company, consummated its mutual-to-stock conversion and the Company consummated its initial stock offering.

In the Offering, the Company sold 3,193,054 shares of its common stock, par value $0.01 per share, at $10.00 per share in a subscription offering and community offering, including 255,444 shares, equal to 8.0% of the shares sold in the offering, to the Madison County Bank employee stock ownership plan.

The cost of the conversion and the stock offering were deferred and deducted from the proceeds of the offering. Conversion costs incurred for the year ended December 31, 2012 were $1,254.

In accordance with applicable federal conversion regulations, at the time of the completion of the mutual-to-stock conversion, we established a liquidation account in an amount equal to the Bank's total equity as of the latest balance sheet date in the final prospectus used in the Conversion. Each eligible account holder or supplemental account holder is entitled to a proportionate share of this liquidation account in the event of a complete liquidation of the Bank, and only in such event. This share will be reduced if the eligible account holder's or supplemental account holder's deposit balance falls below the amounts on the date of record as of any December 31 and will cease to exist if the account is closed. The liquidation account will never be increased despite any increase after Conversion in the related deposit balance.

The Company may not declare, pay a dividend on, or repurchase any of its capital stock of the Bank, if the effect thereof would cause retained earnings to be reduced below the liquidation account amount or regulatory capital requirements.

The Conversion was accounted for as a change in corporate form with the historic basis of the MHC's consolidated assets, liabilities and equity unchanged as a result.

Note 1: Basis of Presentation

The accompanying condensed consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on March 28, 2014. However, in the opinion of management, all adjustments (consisting of only normal recurring accruals) which are necessary for a fair presentation of the financial statements have been included. The results of operations for the three-month period ended March 31, 2014, are not necessarily indicative of the results which may be expected for the year ending December 31, 2014.

Note 2: Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Note 3: Earnings Per Share

The Company has granted stock compensation awards with non-forfeitable dividend rights, which are considered participating securities. Accordingly, earnings per share (EPS) is computed using the two-class method as required by ASC 260-10-45. Basic EPS is computed by dividing net income allocated to common stock by the weighted average number of common shares outstanding during the period which excludes the participating securities. Diluted EPS includes the dilutive effect of additional potential common shares from stock compensation awards, but excludes awards considered participating securities. ESOP shares are not considered outstanding for EPS until they are earned.

The following table presents the computation of basic and diluted EPS for the periods indicated (in thousands, except share and per share data):

	Three Months Ended March 31, 2014	2013
	(Unaudited, Dollars in Thousands except share and per share data)	
Net income	$ 515	$ 752
Allocated to participating securities	(10)	-
Net income allocated to common stockholders	505	752
Weighted average common shares outstanding, gross	3,082,335	3,193,054
Less: Average unearned ESOP shares and participating securities	(287,958)	(244,348)
Weighted average common shares outstanding, net	2,794,377	2,948,706
Effect of diluted based awards	-	-
Weighted average shares and common stock equivalents	2,794,377	2,948,706
Income per common share:		
Basic	$ 0.18	$ 0.26
Diluted	0.18	0.26
Options excluded from the calcuation due to their anti-dilutive effect on earnings per share	288,000	N/A

Note 4: Investment Securities

The amortized cost and approximate fair values of investment securities are as follows:

	March 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Unaudited, In Thousands)			
Available for sale:				
U.S. Treasuries	$ 500	$ -	$ -	$ 500
Federal agencies	10,788	251	(197)	10,842
Total available for sale	11,288	251	(197)	11,342
Held to maturity:				
State and municipal	34,515	226	(707)	34,034
Total held to maturity	34,515	226	(707)	34,034
Total investment securities	$ 45,803	$ 477	$ (904)	$ 45,376

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available for sale:				
U.S. Treasuries	$ 500	$ -	$ -	$ 500
Federal agencies	9,289	231	(301)	9,219
Total available for sale	9,789	231	(301)	9,719
Held to maturity:				
State and municipal	34,144	140	(1,392)	32,892
Total held to maturity	34,144	140	(1,392)	32,892
Total investment securities	$ 43,933	$ 371	$ (1,693)	$ 42,611

(Dollars in thousands)

The amortized cost and fair value of investment securities at March 31, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 500	$ 500	$ 2,795	$ 2,797
After one through five years	3,276	3,427	3,951	3,966
After five through ten years	4,958	4,968	4,710	4,737
After ten years	2,554	2,447	23,059	22,534
	$ 11,288	$ 11,342	$ 34,515	$ 34,034

The carrying value of investment securities pledged as collateral, to secure public deposits and for other purposes was $5,603 at March 31, 2014 (unaudited) and $5,560 at December 31, 2013.

There were no sales of investment securities available for sale for the three months ended March 31, 2014 and 2013 (unaudited).

Certain investments in debt securities have fair values at an amount less than their historical cost. Total fair value of these investments at March 31, 2014 (unaudited) and December 31, 2013 was $19,381 and $24,933, which is approximately 43% and 59%, respectively, of the Company's investment portfolio. These declines primarily resulted from changes in market interest rates.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these investment securities are temporary.

Should the impairment of any of these investment securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

Investment securities with unrealized losses at March 31, 2014 were as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(Unaudited, In Thousands)					
Available for sale-						
Federal agencies	$ 4,541	$ (119)	$ 1,422	$ (78)	$ 5,963	$ (197)
Held to maturity-						
State and municipal	8,692	(347)	4,726	(360)	13,418	(707)
	$ 13,233	$ (466)	$ 6,148	$ (438)	$ 19,381	$ (904)

Investment securities with unrealized losses at December 31, 2013 were as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale-						
Federal agencies	$ 5,462	$ (250)	$ 449	$ (51)	$ 5,911	$ (301)
Held to maturity-						
State and municipal	18,354	(1,342)	668	(50)	19,022	(1,392)
	$ 23,816	$ (1,592)	$ 1,117	$ (101)	$ 24,933	$ (1,693)

The unrealized losses on the Company's investments in federal agencies and state and municipal securities were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2014.

Note 5: Loans and Allowance

The Company's loan and allowance policies are as follows:

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Premiums and discounts are amortized as a level yield adjustment over the respective term of the loan.

For loans not secured by real estate or loans secured by real estate with loan-to-value ratios of 80% or more, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. For loans secured by real estate with a loan-to-value ratio of less than 80%, the accrual of interest is discontinued after the loan is 120 days past due. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

For all loan portfolio segments, the Company promptly charges off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status. There were no changes in the Company's nonaccrual policy during the three month-end periods ended March 31, 2014 and 2013 (unaudited).

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of general and allocated components. The general component covers non-impaired loans and is based on the product of the historical loss experience rate, adjusted by certain qualitative factors in basis points, and the portfolio balance for each loan segment. The historical loss experience rate is determined for each loan portfolio segment and is based on the actual loss history experienced by the Company over the prior four years. Management believes the four year historical loss experience methodology is appropriate in the current economic environment. The qualitative factors considered include changes in experience of lending staff, lending policies and procedures; changes in loan review and oversight, changes in collection, charge-off and recovery practices; changes in the nature and volume of the loan portfolio; changes in the volume and severity of nonperforming loans; the existence and effect of any concentrations of credit and changes in the level of such concentrations; changes in the underlying collateral and changes in current, national and local economic and business conditions.

The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due based on the loan’s current payment status and the borrower’s financial condition including available sources of cash flows. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for non-homogenous type loans such as commercial, non-owner residential and construction loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price or the fair value of the collateral if the loan is collateral dependent. For impaired loans where the Company utilizes the discounted cash flows to determine the level of impairment, the Company includes the entire change in the present value of cash flows as bad debt expense.

The fair values of collateral-dependent impaired loans are based on independent appraisals of the collateral. In general, the Company acquires an updated appraisal upon identification of impairment and annually thereafter for commercial non-real estate, commercial real estate and multi-family real estate loans. After determining the collateral value as described, the fair value is calculated based on the determined collateral value less selling expenses.

(Dollars in thousands)

Segments of loans with similar risk characteristics are collectively evaluated for impairment based on the segment's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company generally does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Categories of loans receivable include:

	March 31, 2014 (Unaudited)	December 31, 2013
Real estate:		
Agricultural	$ 113,062	$ 110,533
Commercial and multi-family	19,284	19,751
One- to four-family residential	37,484	38,322
Agricultural and commercial non-real estate	49,225	57,661
Consumer	4,088	4,249
	223,143	230,516
Less		
Allowance for losses	6,456	6,171
Total loans	$ 216,687	$ 224,345

The risk characteristics of each loan portfolio segment are as follows:

Agricultural Real Estate

Agricultural real estate loans are primarily comprised of loans for the purchase of farmland. Loan-to-value ratios on loans secured by farmland generally do not exceed 70% and have amortization periods limited to twenty one years.

Agricultural and Commercial Non-Real Estate

Agricultural non-real estate loans are generally comprised of seasonal operating lines to cash grain farmers to plant and harvest corn and soybeans and term loans to fund the purchase of equipment. Specific underwriting standards have been established for agricultural-related loans including the establishment of projections for each operating year based on industry-developed estimates of farm input costs and expected commodity yields and prices. Operating lines are typically written for one year and secured by the crop and other farm assets as considered necessary.

Commercial non-real estate loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial non-real estate loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis.

Commercial and Multi-Family Real Estate

Commercial and multi-family real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan.

Commercial and multi-family real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial and multi-family real estate portfolio are diverse, but virtually all of these loans are secured by properties in Nebraska. Management monitors and evaluates commercial real estate and multi-family real estate loans based on collateral, geography and risk grade criteria. In addition, the Company generally will not finance single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus nonowner-occupied loans.

Residential Real Estate and Consumer

Residential real estate and consumer loans consist of two segments - residential mortgage loans and personal loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio of 80% of the sales price or appraised value, whichever is lower, and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer loans are secured by consumer assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The following table presents by portfolio segment, the activity in the allowance for loan losses for the three months ended March 31, 2014, and 2013:

		Real Estate				
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited, In Thousands)			
Three Months Ended March 31, 2014 (Unaudited)						
Allowance for Loan Losses:						
Balance, beginning of period	$ 3,340	$ 597	$ 510	$ 1,638	$ 86	$ 6,171
Provision for loan losses	317	5	119	(153)	(3)	285
Loans charged to the allowance	-	-	-	-	-	-
Recoveries of loans previously charged off	-	-	-	-	-	-
Balance, end of period	$ 3,657	$ 602	$ 629	$ 1,485	$ 83	$ 6,456
Three Months Ended March 31, 2013 (Unaudited)						
Allowance for Loan Losses:						
Balance, beginning of period	$ 2,585	$ 456	$ 467	$ 1,337	$ 96	$ 4,941
Provision for loan losses	360	41	63	(196)	(13)	255
Loans charged to the allowance	-	-	-	-	-	-
Recoveries of loans previously charged off	-	-	-	-	-	-
Balance, end of period	$ 2,945	$ 497	$ 530	$ 1,141	$ 83	$ 5,196

(Dollars in thousands)

The following table presents by portfolio segment, allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of March 31, 2014 and December 31, 2013:

At March 31, 2014 (Unaudited)

Allowance:						
Ending balance	$ 3,657	$ 602	$ 629	$ 1,485	$ 83	$ 6,456
Ending balance individually evaluated for impairment	$ -	$ 126	$ 15	$ -	$ -	$ 141
Ending balance collectively evaluated for impairment	$ 3,657	$ 476	$ 614	$ 1,485	$ 83	$ 6,315
Loans:						
Ending balance	$ 113,062	$ 19,284	$ 37,484	$ 49,225	$ 4,088	$ 223,143
Ending balance individually evaluated for impairment	$ -	$ 134	$ 19	$ -	$ -	$ 153
Ending balance collectively evaluated for impairment	$ 113,062	$ 19,150	$ 37,465	$ 49,225	$ 4,088	$ 222,990

At December 31, 2013

Allowance:						
Ending balance	$ 3,340	$ 597	$ 510	$ 1,638	$ 86	$ 6,171
Ending balance individually evaluated for impairment	$ -	$ 148	$ 14	$ -	$ -	$ 162
Ending balance collectively evaluated for impairment	$ 3,340	$ 449	$ 496	$ 1,638	$ 86	$ 6,009
Loans:						
Ending balance	$ 110,533	$ 19,751	$ 38,322	$ 57,661	$ 4,249	$ 230,516
Ending balance individually evaluated for impairment	$ -	$ 148	$ 22	$ -	$ -	$ 170
Ending balance collectively evaluated for impairment	$ 110,533	$ 19,603	$ 38,300	$ 57,661	$ 4,249	$ 230,346

The following table presents the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of March 31, 2014:

	Agricultural	Real Estate Commercial and Multi-Family	Real Estate One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
	(Unaudited, In Thousands)					
Pass	$ 112,939	$ 19,150	$ 36,830	$ 49,203	$ 4,038	$ 222,160
Special Mention	-	-	519	22	34	575
Substandard	123	134	135	-	16	408
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 113,062	$ 19,284	$ 37,484	$ 49,225	$ 4,088	$ 223,143

The following table presents the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of December 31, 2013:

	Agricultural	Real Estate Commercial and Multi-Family	Real Estate One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
	(In Thousands)					
Pass	$ 110,410	$ 19,603	$ 37,716	$ 57,637	$ 4,210	$ 229,576
Special Mention	-	-	494	24	22	540
Substandard	123	148	112	-	17	400
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 110,533	$ 19,751	$ 38,322	$ 57,661	$ 4,249	$ 230,516

The Company generally categorizes all classes of loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. Generally, smaller dollar consumer loans are excluded from this grading process and are reflected in the Pass category. The delinquency trends of these consumer loans are monitored on a homogeneous basis and the related delinquent amounts are reflected in the aging analysis table below. The Company uses the following definitions for risk ratings:

The Pass asset quality rating encompasses assets that have generally performed as expected. With the exception of some smaller consumer and residential loans, these assets generally do not have delinquency. Loans assigned this rating include loans to borrowers possessing solid credit quality with acceptable risk. Borrowers in these grades are differentiated from higher grades on the basis of size (capital and/or revenue), leverage, asset quality, stability of the industry or specific market area and quality/coverage of collateral. These borrowers generally have a history of consistent earnings and reasonable leverage.

The Special Mention asset quality rating encompasses assets that have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. This grade is intended to include loans to borrowers whose credit quality has clearly deteriorated and where risk of further decline is possible unless active measures are taken to correct the situation. Weaknesses are considered potential at this state and are not yet fully defined.

The Substandard asset quality rating encompasses assets that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any; assets having a well-defined weakness based upon objective evidence; assets characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected; or the possibility that liquidation will not be timely. Loans categorized in this grade possess a well-defined credit weakness and the likelihood of repayment from the primary source is uncertain. Significant financial deterioration has occurred and very close attention is warranted to ensure the full repayment without loss. Collateral coverage may be marginal and the accrual of interest has been suspended.

The Doubtful asset quality rating encompasses assets that have all of the weaknesses of those classified as Substandard. In addition, these weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

The Loss asset quality rating encompasses assets that are considered uncollectible and of such little value that their continuance as assets of the bank is not warranted. A loss classification does not mean that an asset has no recovery or salvage value; instead, it means that it is not practical or desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be realized in the future.

The following table presents the Company's loan portfolio aging analysis and nonperforming loans as of March 31, 2014:

	Agricultural	Real Estate: Commercial and Multi-Family	Real Estate: One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited, In Thousands)			
Past Due:						
30-59 days	$ 355	$ -	$ 533	$ 561	$ 48	$ 1,497
60-89 days	-	-	186	22	16	224
90 days or more	123	-	22	-	-	145
Total past due	478	-	741	583	64	1,866
Current	112,584	19,284	36,743	48,642	4,024	221,277
Total loans	$ 113,062	$ 19,284	$ 37,484	$ 49,225	$ 4,088	$ 223,143
Nonaccrual loans	$ 123	$ 134	$ 135	$ -	$ 16	$ 408
Loans past due 90 days and still accruing	-	-	-	-	-	-
	$ 123	$ 134	$ 135	$ -	$ 16	$ 408

The following table presents the Company's loan portfolio aging analysis and nonperforming loans as of December 31, 2013:

	Agricultural	Real Estate: Commercial and Multi-Family	Real Estate: One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(In Thousands)			
Past Due:						
30-59 days	$ 199	$ -	$ 376	$ 52	$ 40	$ 667
60-89 days	296	-	171	24	-	491
90 days or more	-	-	-	-	2	2
Total past due	495	-	547	76	42	1,160
Current	110,038	19,751	37,775	57,585	4,207	229,356
Total loans	$ 110,533	$ 19,751	$ 38,322	$ 57,661	$ 4,249	$ 230,516
Nonaccrual loans	$ 123	$ 148	$ 112	$ -	$ 17	$ 400
Loans past due 90 days and still accruing	-	-	-	-	2	2
	$ 123	$ 148	$ 112	$ -	$ 19	$ 402

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

The following table presents impaired loans and specific valuation allowance based on class level at March 31, 2014:

	Real Estate					
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited, In Thousands)			
Impaired loans with an allowance for loan losses	$ -	$ 134	$ 19	$ -	$ -	$ 153
Impaired loans with no allowance for loan losses	-	-	-	-	-	-
Total impaired loans	$ -	$ 134	$ 19	$ -	$ -	$ 153
Unpaid principal balance of impaired loans	$ -	$ 134	$ 19	$ -	$ -	$ 153
Allowance for loan losses on impaired loans	-	126	15	-	-	141

The following table presents average impaired loans based on class level for the three months ended March 31, 2014 and 2013:

	Real Estate					
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited, In Thousands)			
Average recorded investment in impaired loans for the three months ended March 31, 2014	$ -	$ 141	$ 20	$ -	$ -	$ 161
Interest income recognized on impaired loans for the three months ended March 31, 2014	$ -	$ 3	$ 1	$ -	$ -	$ 4
Average recorded investment in impaired loans for the three months ended March 31, 2013	-	-	53	-	-	53
Interest income recognized on impaired loans for the three months ended March 31, 2013	$ -	$ -	$ 1	$ -	$ -	$ 1

(Dollars in thousands)

The following table presents impaired loans and specific valuation allowance based on class level at December 31, 2013:

		Real Estate				
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
Impaired loans with an allowance for loan losses	$ -	$ 148	$ 22	$ -	$ -	$ 170
Impaired loans with no allowance for loan losses	-	-	-	-	-	-
Total impaired loans	$ -	$ 148	$ 22	$ -	$ -	$ 170
Unpaid principal balance of impaired loans	$ -	$ 148	$ 22	$ -	$ -	$ 170
Allowance for loan losses on impaired loans	-	148	14	-	-	162
Average recorded investment in impaired loans	-	46	28	-	-	74

During the three months ended March 31, 2014 and 2013 (unaudited), there were no new restructurings classified as troubled debt restructurings. At March 31, 2014 and 2013 (unaudited), there were no such loans restructured within the last twelve months that were in default.

Note 6: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value 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. Topic 820 also specifies 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 standard 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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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.

Recurring Measurements

The following is a description of the valuation methodologies and inputs used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions. Additionally, matrix pricing is used for certain investment securities and is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities. Level 1 securities include U. S. Treasuries. Level 2 securities include federal agencies. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following tables present the fair value measurements of assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2014 and December 31, 2013:

	March 31, 2014 Fair Value Measurements Using			
Assets	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(Unaudited, In Thousands)		
Available for sale:				
U.S. Treasuries	$ 500	$ 500	$ -	$ -
Federal agencies	10,842	-	10,842	-
	$ 11,342	$ 500	$ 10,842	$ -

	December 31, 2013 Fair Value Measurements Using			
Assets	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available for sale:				
U.S. Treasuries	$ 500	$ 500	$ -	$ -
Federal agencies	9,219	-	9,219	-
	$ 9,719	$ 500	$ 9,219	$ -

The following is a description of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Impaired Loans (Collateral Dependent)

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms, are measured for impairment. Allowable methods for determining the amount of impairment include estimating fair value using the fair value of the collateral for collateral-dependent loans.

The fair values of collateral dependent impaired loans are based on independent appraisals of the collateral. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires a current independent appraisal of the collateral and applying a discount factor to the value. After determining the collateral value as described, the fair value is calculated based on the determined collateral value less selling expenses.

Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

The following tables present the fair value measurements of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

		Fair Value Measurements Using		
Assets	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In Thousands)		
March 31, 2014 (Unaudited)				
Impaired loans	$ 12	$ -	$ -	$ 12
December 31, 2013				
Impaired loans	$ 8	$ -	$ -	$ 8

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill.

	Fair Value (In Thousands)		Valuation Technique	Unobservable Inputs	Weighted Average
At March 31, 2014: (Unaudited)					
Collateral-dependent impaired loans	$	12	Market comparable properties	Marketability discount	10%
At December 31, 2013:					
Collateral-dependent impaired loans	$	8	Market comparable properties	Marketability discount	10%

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash and Cash Equivalents, Certificates of Deposit, Federal Home Loan Bank Stock, Accrued Interest Receivable and Accrued Interest Payable

The carrying amount approximates fair value.

Loans and Loans Held for Sale

The fair value of loans is estimated by discounting the future cash flows using the market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of accrued interest approximates its fair value.

Deposits

Deposits include checking and money market savings accounts. The carrying amount of these deposits approximates fair value. The fair value of fixed-maturity time deposits (certificates and other time deposits) is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Borrowings

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

The following table presents estimated fair values of the Company's financial instruments at March 31, 2014:

		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Unaudited, In Thousands)		
Financial assets:				
Cash and cash equivalents	$ 7,400	$ 7,400	$ -	$ -
Certificates of deposit	1,000	1,000	-	-
Loans held for sale	153	-	153	-
Loans, net	216,687	-	-	222,733
Stock in Federal Home Loan Bank of Topeka	1,203	-	1,203	-
Accrued interest receivable	2,645	-	2,645	-
Financial liabilities:				
Deposits	215,370	189,637	-	25,806
Borrowings	7,000	-	7,243	-
Accrued interest payable	97	-	97	-

The following table presents estimated fair values of the Company's financial instruments at December 31, 2013:

		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In Thousands)		
Financial assets:				
Cash and cash equivalents	$ 4,119	$ 4,119	$ -	$ -
Certificates of deposit	1,000	1,000	-	-
Loans held for sale	269	-	269	-
Loans, net	224,345	-	-	230,813
Stock in Federal Home Loan Bank of Topeka	1,472	-	1,472	-
Accrued interest receivable	3,807	-	3,807	-
Financial liabilities:				
Deposits	205,706	179,358	-	26,429
Borrowings	20,000	-	20,274	-
Accrued interest payable	99	-	99	-

(Dollars in thousands)

Note 7: Share Based Compensation (Unaudited)

In November, 2013, the Company's stockholders approved the 2013 Equity Incentive Plan ("Plan") which provides for awards of stock options and restricted stock to officers, employees and directors. The cost of the Plan is based on the fair value of the awards on the grant date. The fair value of restricted stock awards is based on the closing price of the Company's stock on the grant date. The fair value of stock options is estimated using a Black-Scholes option pricing model using assumptions for dividend yield, stock price volatility, risk-free interest rate, and option term. These assumptions are based on management's judgments regarding future events, are subjective in nature, and contain uncertainties inherent in an estimate. The cost of the awards is being recognized over the five-year vesting periods during which participants are required to provide services in exchange for the awards. Certain officers and employees have seven-year vesting periods. Vesting began March 1, 2014, for directors and will begin November 1, 2014, for certain other officers and employees.

Until such time as awards of stock are granted and vest or options are exercised, shares of the Company's common stock under the Plan shall be authorized but unissued shares. The maximum number of shares authorized under the plan is 447,027. Total stock-based compensation expense for the three months ended March 31, 2014 was $390,000.

Stock Options

The table below represents the stock option activity for the period shown:

	Options	Weighted average exercise price	Remaining contractual life (years)
Options outstanding at January 1, 2014	-	$ -	-
Granted	288,000	17.10	10
Exercised	-	-	-
Forfeited	-	-	-
Expired	-	-	-
Options outstanding at March 31, 2014	288,000	$ 17.10	10

There were 288,000 stock options granted on February 14, 2014.

As of March 31, 2014, the Company had $645,000 of unrecognized compensation expense related to stock options. The cost of the stock options will be amortized in monthly installments over the noted five-year and seven-year vesting periods, with the first vesting date of March 1, 2014, for directors, and November 1, 2014, for certain other officers and employees. There were 32,820 stock options that vested in the three months ended March 31, 2014. Stock option expense for the three months ended March 31, 2014 was $98,000. The aggregate grant date fair value of the stock options was $743,000. The total intrinsic value of options as of March 31, 2014 was $259,000.

(Dollars in thousands)

The fair value of the Company's stock options was determined using the Black-Scholes option pricing formula. The following assumptions were used in the formula:

Expected volatility		13.78%
Risk-free interest rate		2.27%
Expected dividend yield		1.64%
Expected life (in years)		7.5
Exercise price for the stock options	$	17.10

Expected volatility – Based on the historical volatility of share price for similar companies.

Risk-free interest rate – Based on the U. S. Treasury yield curve and expected life of the options at the time of grant.

Dividend yield – Madison County Financial, Inc. paid, at the time of valuation, an annual dividend of $0.28 per share.

Expected life – Based on average of the five-year and seven-year vesting periods and the ten year contractual term of the stock option plan.

Exercise price for the stock options – Based on the closing price of the Company's stock on the date of grant.

Restricted Stock Awards

Restricted stock awards are accounted for as fixed grants using the fair value of the Company's stock at the time of the grant. Unvested restricted stock awards may not be disposed of or transferred during the vesting period. Restricted stock awards carry with them the right to receive dividends.

The table below represents the restricted stock award activity for the period shown:

	Service-Based Restricted Stock Awards		Weighted Average Grant Date Fair Value
Non-vested at January 1, 2014	-	$	-
Granted	115,000		17.10
Vested	(14,840)		17.10
Forfeited	-		-
Non-vested at March 31, 2014	100,160	$	17.10

Restricted stock awards of 115,000 were granted on February 14, 2014.

As of March 31, 2014, the Company had $1,675,000 of unrecognized compensation expense related to restricted stock awards. The cost of the restricted stock awards will be amortized in monthly installments over the five-year and seven-year vesting periods. Restricted stock expense for the three months ended March 31, 2014 was $291,000.

Note 8: Recent Accounting Pronouncements

The Company is an emerging growth company and as such will be subject to the effective dates noted for the private companies if they differ from the effective dates noted for public companies.

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure," to reduce diversity by clarifying when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The ASU is effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Adoption of the ASU is not expected to have a significant effect on the Company's consolidated financial statements.

In January 2014, the FASB issued ASU 2014-01, "Accounting for Investments in Qualified Affordable Housing Projects," to permit entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The ASU modifies the conditions that an entity must meet to be eligible to use a method other than the equity or cost methods to account for qualified affordable housing project investments. The ASU is effective for annual periods beginning after December 31, 2014, and interim periods within annual periods beginning after December 15, 2015. Adoption of the ASU is not expected to have a significant effect on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," to require presentation in the financial statements of an unrecognized tax benefit or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward, except as follows. When an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or when the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Adoption of the ASU did not have a significant effect on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," to amend Topic 220, Comprehensive Income, to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The amendments require an entity to present, either in the income statement or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This ASU will be effective for annual and interim periods beginning January 1, 2014. Adoption of the ASU is not expected to have a significant effect on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-10, "Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes," to allow the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to the current benchmark rates of direct Treasury obligations of the U.S. government and LIBOR (London Interbank Offered Rate). The amendments were effective on a prospective basis for new or newly-designated hedging relationships on July 17, 2013. Adoption did not have a significant effect on the Company's consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis of the financial condition and results of operations at and for three months ended March 31, 2014 and 2013 is intended to assist in understanding the financial condition and results of operations of the Company on a consolidated basis. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto, appearing in Part I, Item 1 of this quarterly report on Form 10-Q.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect," "will," "may" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this quarterly report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in government policy towards farming subsidies, and especially towards the production of ethanol which is highly dependent upon #2 Yellow Corn, the primary commodity produced in our market area;
- competition among depository and other financial institutions;
- our success in continuing to emphasize agricultural real estate and agricultural and commercial non-real estate loans;

- changes in the interest rate environment that reduce our margins or reduce the fair value of our financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in deposit insurance premiums, regulatory fees and capital requirements, which increase our compliance costs;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;
- loan delinquencies and changes in the underlying cash flows of our borrowers;
- changes in our financial condition or results of operations that reduce capital available to pay dividends; and
- changes in the financial condition or future prospects of issuers of securities that we own.

Critical Accounting Policies

There are no material changes to the critical accounting policies disclosed in Madison County Financial, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on March 28, 2014.

Comparison of Financial Condition at March 31, 1014 and December 31, 2013

Total assets decreased $2.5 million, or 0.9%, to $287.6 million at March 31, 2014, from $290.1 million at December 31, 2013. The decrease was due primarily to a decrease in net loans and interest receivable and investment in Federal Home Loan Bank stock, offset by increases in cash and cash equivalents, investment securities classified as available for sale and bank-owned life insurance. The decrease in net loans and the increase in cash and cash equivalents resulted primarily from normal seasonal pay-downs from our farming customers and normal annual loan payments on agricultural real estate loans. Investment securities increased as we used the funds received from the pay-downs to purchase these securities.

Net loans decreased $7.7 million, or 3.4%, to $216.7 million at March 31, 2014, from $224.3 million at December 31, 2013. Agricultural and commercial non-real estate loans decreased $8.4 million, or 14.6%, to $49.2 million at March 31, 2014, from $57.7 million at December 31, 2013. One- to four-family residential real estate loans decreased $840,000, or 2.2%, to $37.5 million at March 31, 2014, from $38.3 million at December 31, 2013. The decrease in agricultural non-real estate loans resulted from seasonal loan pay-downs relating primarily to the cash flow cycle of our farming customers. One- to four-family residential mortgages decreased primarily due to the origination and sale of these loans. Agricultural real estate loans increased $2.5 million, or 2.3%, to $113.1 million at March 31, 2014, from $110.5 million at December 31, 2013. This increase in agricultural real estate loans resulted from the continued above-normal market activity in agricultural real estate purchases by our customers.

Investment securities classified as available for sale increased $1.6 million, or 16.7%, to $11.3 million at March 31, 2014, from $9.7 million at December 31, 2013. Agricultural loan customers paid down lines of credit in the first quarter and the funds received from these repayments were used to purchase investment securities. Investment in Federal Home Loan Bank stock decreased $269,000, or 18.3%, to $1.2 million at March 31, 2014, from $1.5 million at December 31, 2013, due to the Federal Home Loan Bank of Topeka’s repurchase of our excess Class A and Class B common stock.

Bank-owned life insurance increased $1.5 million, or 32.5%, as we increased our investment in consideration of the implementation of our equity incentive plan and the additional expense which would be incurred in the event of the death of a director or executive officer.

Accrued interest receivable on loans decreased $1.2 million, or 30.5%, to $2.6 million at March 31, 2014, from $3.8 million at December 31, 2013, due to the decrease in net loans at March 31, 2014, as compared to December 31, 2013, the timing of interest payments due on our loans, and the decrease in the average yield on loans to 4.82% at March 31, 2014, from 5.01% at December 31, 2013.

Deposits increased $9.7 million, or 4.7%, to $215.4 million at March 31, 2014, from $205.7 million at December 31, 2013, due primarily to a net increase in core deposits. Interest-bearing checking and money market savings accounts increased $11.0 million, or 9.6%, and $4.0 million, or 8.8%, respectively at March 31, 2014, from December 31, 2013. This increase was offset by a decrease in noninterest-bearing checking accounts of $4.8 million, or 23.5%, at March 31, 2014, from December 31, 2013. This net increase in our core deposits resulted from our continued efforts to build relationships with our existing customers as well as our marketing efforts with new customers. Certificates and time deposits decreased $1.0 million, or 2.3%, to $25.7 million at March 31, 2014, from $26.3 million at December 31, 2013, reflecting continued customer preference for more liquid transaction accounts rather than long term deposits.

We borrow periodically from the Federal Home Loan Bank of Topeka (“FHLB-Topeka”) and the Federal Reserve Bank of Kansas City (“FRB-Kansas City”), and as needed, to a lesser extent from the Bankers’ Bank of the West. Our borrowings from the FHLB-Topeka decreased $13.0 million, or 65.0%, to $7.0 million at March 31, 2014, from $20.0 million at December 31, 2013. We continue to utilize borrowings as an alternative funding source, and our borrowings from the FHLB-Topeka generally consist of advances with laddered terms of up to 10 years and our borrowings from the FRB-Kansas City are short-term borrowings under our Line of Credit.

Total stockholders' equity decreased $288,000, or 0.5%, to $61.1 million at March 31, 2014, from $61.4 million at December 31, 2013. The decrease resulted primarily from the stock repurchase of 74,362 shares for a total of $1.3 million, offset by the stock based compensation of $390,000 and net income of $515,000 during the first quarter 2014.

Comparison of Operating Results for the Three Months Ended March 31, 2014 and 2013

General. Net income decreased $237,000, or 31.5%, to $515,000 for the three months ended March 31, 2014, from $752,000 for the three months ended March 31, 2013. The decrease reflected increases in our provision for loan losses and other expense, due almost exclusively to the implementation and associated expense from our equity incentive plan, and a decrease in other income, offset by an increase in interest income and a decrease in income tax expense during the 2014 quarter.

Interest and Dividend Income. Interest and dividend income increased $153,000, or 5.3%, to $3.0 million for the quarter ended March 31, 2014, from $2.9 million for the quarter ended March 31, 2013. The increase reflected an increase in average interest-earning assets to $275.9 million for the 2014 quarter compared to $268.0 million for the 2013 quarter, and an increase in the average yield on interest-earning assets to 4.46% during the 2014 quarter from 4.36% during the 2013 quarter.

Interest income and fees on loans increased $101,000, or 3.9%, to $2.7 million for the three months ended March 31, 2014, from $2.6 million for the three months ended March 31, 2013. This was a result of a $23.5 million increase in average loans outstanding, to $225.4 million for the quarter ending March 31, 2014, from $202.0 million for the quarter ending March 31, 2013, offset by a decrease in the average yield on loans to 4.82% during the 2014 quarter from 5.18% during the 2013 quarter. Interest income on non-taxable investment securities increased $61,000, or 31.0%, to $258,000 for the 2014 quarter from $197,000 for the 2013 quarter, reflecting a $9.0 million increase in the average balance of these securities to $31.7 million for the quarter ended March 31, 2014, from $22.7 million for the quarter ended March 31, 2013. This increase was offset by a decrease in the average yield on such securities to 3.30% from 3.51%, quarter to quarter.

Interest Expense. Interest expense remained unchanged at $437,000 for the three months ended March 31, 2014 and 2013, respectively. The average balance of interest-bearing liabilities increased $7.7 million, or 3.9%, to $205.5 million for the quarter ending March 31, 2014, from $197.8 million for the quarter ending March 31, 2013, and was offset in part by a 4 basis point decrease in the average rate paid on interest-bearing liabilities during the 2014 quarter to 0.86% compared to 0.90% during the 2013 quarter.

Interest expense on interest-bearing deposits decreased $2,000, or 0.5%, to $381,000 for the quarter ended March 31, 2014, from $383,000 for the quarter ended March 31, 2013, as the average rate paid on these deposits decreased to 0.78% during the 2014 quarter from 0.81% during the 2013 quarter, offset by a $6.2 million increase in the average balance of these deposits to $197.7 million for the 2014 quarter from $191.5 million for the 2013 quarter. Interest expense on borrowings increased $2,000, or 3.7%, to $56,000 for the three months ended March 31, 2014, from $54,000 for the three months ended March 31, 2013, reflecting an increase of $1.5 million, or 23.6%, in the average balance of borrowings to $7.8 million for the 2014 quarter from $6.3 million for the 2013 quarter, offset by a decrease in the rate paid on borrowings to 2.92% from 3.48%, quarter to quarter.

Net Interest Income. Net interest income increased $153,000, or 6.3%, to $2.6 million for the three months ended March 31, 2014, from $2.4 million for the three months ended March 31, 2013. This increase reflected a $142,000 increase in our average net interest-earning assets, to $70.4 million for the 2014 period from $70.3 million for the 2013 period, and an increase in our net interest rate spread to 3.60% for the 2014 quarter from 3.46% for the 2013 quarter, and an increase in our net interest margin to 3.81% for the 2014 quarter from 3.69% for the 2013 quarter. The increase in our average net interest earning assets resulted primarily from the reinvestment of the capital raised in the conversion stock offering and earnings into loans and investment securities. The ratio of our average interest-earning assets to average interest-bearing liabilities decreased to 134.3% for the 2014 quarter from 135.5% for the 2013 quarter. The increase in our net interest rate spread and net interest margin reflected the 10 basis point increase in the average yield on our interest-earning assets and a 3 basis point decrease in the average cost of our interest-bearing liabilities, quarter to quarter.

Provision for Loan Losses. We recorded a provision for loan losses of $285,000 for the three months ended March 31, 2014, which was an increase of $30,000, or 11.8%, from our provision of $255,000 for the three months ended March 31, 2013. The increase in our provision resulted from various factors which necessitate upward adjustments in the allowance for loan losses. Agricultural real estate loans comprise 52.2% of net loans receivable at March 31, 2014, and management has determined that a possible asset bubble in agricultural real estate may be forming. This is due to the continued increase in the farmland prices at a double-digit rate over the past several years and the corresponding decline in gross operating income on most farming options. There are no longer any ethanol subsidies paid by the Federal Government. Furthermore, in October, 2013, the Environmental Protection Agency issued a proposed rule reducing the federal government ethanol blending mandate, which proposal, if enacted, would substantially decrease the volume of ethanol required to be blended in the nation's fuel supply and would have a negative effect on the demand for #2 Yellow Corn, our market area's most important agricultural commodity. In addition, the Agricultural Act of 2014 was signed into law on February 7, 2014, and the most significant change to farm programs in this Act is the elimination of a subsidy known as "direct payments", which supplement farm income. This could adversely impact our agricultural borrowers and the risks associated with these types of loans.

The provision for loan losses for the three months ended March 31, 2014 and 2013, reflected no charge-offs or recoveries. The allowance for loan losses was $6.5 million, or 2.9% of total loans, at March 31, 2014, compared to $5.2 million, or 2.6% of total loans, at March 31, 2013. Total nonperforming loans were $408,000 at March 31, 2014, compared to $278,000 at March 31, 2013. As a percentage of nonperforming loans, the allowance for loan losses was 1,582% at March 31, 2014, compared to 1,869% at March 31, 2013.

Other Income. Other income decreased $74,000, or 16.2%, to $384,000 for the three months ended March 31, 2014, from $458,000 for the three months ended March 31, 2013. The decrease was due primarily to a decrease in gains on sales of loans, resulting from a decline in the volume of loans sold, quarter to quarter.

Other Expense. Other expense increased $451,000, or 28.1%, to $2.1 million for the three months ended March 31, 2014, from $1.6 million for the three months ended March 31, 2013, due primarily to a $136,000 increase in salaries and employee benefits expense and a $368,000 increase in director fees and benefits and a $48,000 decrease in other expense. Salaries and employee benefits expense and director fees and benefits increased primarily as a result of the expense associated with the stock based compensation plan that was approved by the stockholders in November, 2013, and, to a much lesser extent, normal annual salary increases.

Income Tax Expense. The provision for income taxes was $121,000 for the three months ended March 31, 2014, compared to $286,000 for the three months ended March 31, 2013, reflecting a decrease in pretax income. Our effective tax rate was 19.0% for the quarter ended March 31, 2014, compared to 27.6% for the quarter ended March 31, 2013. This difference resulted primarily from the levels of tax-exempt income derived from our municipal bond investment portfolio and from bank-owned life insurance as a percentage of our net income. Tax-exempt income increased while net income has declined.

Liquidity and Capital Resources

Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from sales of loans, proceeds from maturities and calls of securities, advances from the Federal Home Loan Bank-Topeka and borrowings from the Federal Reserve Bank of Kansas City, and to a lesser extent from the Bankers' Bank of the West, and other income including income from our insurance agency subsidiary. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by market interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period. Additionally, we historically have experienced significant increases in our deposits during the first and second calendar quarters of each year as a result of our farm customers depositing proceeds from the sale of agricultural commodities during this period. Similarly, our borrowings have historically increased during the fourth calendar quarter of each year in response to increased loan demand from our farm customers during this period, many of whom purchase their crop production supplies (seed, fertilizer, fuel and chemicals) during October through December.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was $1.6 million and $2.9 million for the three months ended March 31, 2014 and 2013, respectively. Net cash provided by investing activities, which consists primarily of net change in loans receivable and net change in purchases of/proceeds from maturities of investment securities was $6.3 million and $11.9 million for the three months ended March 31, 2014 and 2013, respectively, principally due to a decrease in loans receivable and the purchases of investment securities in excess of maturities. Net cash provided by (used in) financing activities, which is comprised of net change in deposits and proceeds from and repayment of borrowings and dividends paid, was $(4.7) million and $21.1 million for the three months ended March 31, 2014 and 2013, respectively, and resulted primarily from the repayment of advances.

At March 31, 2014, we exceeded all of our regulatory capital requirements with a Tier 1 (core) capital level of $50.5 million, or 17.6% of adjusted total assets, which is above the required level of $11.5 million, or 4.0%; and total risk-based capital of $54.1 million, or 18.9% of risk-weighted assets, which is above the required level of $23.0 million, or 8.0%. Accordingly Madison County Bank was categorized well capitalized at March 31, 2014. Management is not aware of any conditions or events since the most recent notification that would change our category.

In July 2013, the OCC and the other federal bank regulatory agencies issued a final rule that will revise their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more and top-tier savings and loan holding companies. Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain “available-for-sale” securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The rule limits a banking organization’s capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule becomes effective for the Bank on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective.

At March 31, 2014, we had outstanding commitments to originate loans of $27.5 million and lines of credit of $25.9 million. We anticipate that we will have sufficient funds available to meet our current loan origination commitments. Certificates of deposit that are scheduled to mature in less than one year from March 31, 2014 totaled $19.4 million. Management expects that a substantial portion of the maturing certificates of deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize FHLB-Topeka advances or FRB-Kansas City borrowings or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable, as the Registrant is a smaller reporting company.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of March 31, 2014. Based on that evaluation, the Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

During the quarter ended March 31, 2014, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

We are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Bank's or the Registrant's financial condition or results of operations.

Item 1A. Risk Factors

Not applicable, as the Registrant is a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) There were no sales of unregistered securities during the period covered by this Report.

(b) Not applicable.

(c) The Company's board of directors has authorized two stock repurchase programs for an aggregate of 319,653 shares of the Company's issued common stock. The first stock repurchase program was completed during the first quarter of 2014.

Under each repurchase program, repurchases were or will be conducted through open market purchases, which may include purchases under a trading plan adopted pursuant to SEC Rule 10b5-1, or through privately negotiated transactions. Repurchases will be made from time to time, depending on market conditions and other factors. There is no guarantee as to the exact number of shares to be repurchased by the Company.

The following table provides information with respect to purchases made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company’s common stock during the first quarter of 2014.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 through January 31, 2014	362	$ 17.80	162,081
February 1 through February 28, 2014	-	-	162,081
March 1 through March 31, 2014	74,000	17.74	88,081
Total	74,362	$ 17.74	88,081

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Madison County Financial, Inc.
Date: May 14, 2014	/s/ David J. Warnemunde
	David J. Warnemunde President and Chief Executive Officer
Date: May 14, 2014	/s/ Brenda L. Borchers
	Brenda L. Borchers Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David J. Warnemunde, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison County Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2014

/s/ David J. Warnemunde
David J. Warnemunde
President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brenda L. Borchers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison County Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2014

/s/ Brenda L. Borchers
Brenda L. Borchers
Chief Financial Officer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

David J. Warnemunde, President and Chief Executive Officer of Madison County Financial, Inc., (the "Company") and Brenda L. Borchers, Chief Financial Officer of the Company, each certify in his and her capacity as an officer of the Company that he/she has reviewed the quarterly report on Form 10-Q for the quarter ended March 31, 2014 (the "Report") and that to the best of his/her knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2014	/s/ David J. Warnemunde David J. Warnemunde President and Chief Executive Officer
Date: May 14, 2014	/s/ Brenda L. Borchers Brenda L. Borchers Chief Financial Officer