Ag Credit Agricultural Credit Association

SECOND QUARTER 2015

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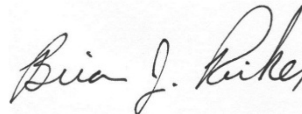
CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2015 quarterly report of Ag Credit Agricultural Credit Association, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Brian J. Ricker
Chief Executive Officer

Daniel E. Ebert
Chief Financial Officer

Scott A. Schroeder
Chairman of the Board

August 7, 2015

Ag Credit Agricultural Credit Association

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

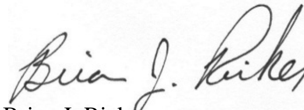
1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association,

2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and

3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of June 30, 2015. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of June 30, 2015, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material changes to or weaknesses in the internal control over financial reporting as of June 30, 2015.



Brian J. Ricker
Chief Executive Officer

Daniel E. Ebert
Chief Financial Officer

August 7, 2015

Ag Credit Agricultural Credit Association

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary reviews the financial condition and results of operations of Ag Credit Agricultural Credit Association (Association) for the six months ended June 30, 2015. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements, the Association's June 30, 2014 quarterly report and the 2014 Annual Report of the Association. The accompanying consolidated financial statements (financial statements) were prepared under the oversight of the Audit Committee of the Board of Directors, which includes Michael W. Stump, David M. Stott, Ph.D., CPA and Gary L. Baldosser. The results for the first six months of 2015 are not necessarily indicative of results to be expected for the year.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans through numerous product types. The Association's loan portfolio consists predominantly of general cash grains (primarily soybeans, corn and wheat) which constitute about 62% percent of the entire portfolio as of June 30, 2015. The Association recognizes the commodity concentration risk exceeds normally accepted industry standards. This risk, along with the risk associated with large loans, is reduced by members' off-farm income, utilization of crop insurance, and the use of FSA, USDA, Business and Industry and Farmer Mac loan guarantees. As of June 30, 2015 the Association had $466,451 of guaranteed loan volume, which is 29.33 percent of loans as compared to $464,693 of guaranteed volume or 32.34 percent of the portfolio at June 30, 2014. The percent of guaranteed loans decreased primarily due to the increase in participation purchased volume which is generally not eligible for loan guarantees. Loan guarantees reduce the potential of loss in the Association's loan portfolio and help to leverage the Association's capital.

Gross loan volume of the Association as of June 30, 2015 was $1,590,288, an increase of $6,500 or 0.41% percent when compared to $1,583,788 at December 31, 2014. The increase in loan volume primarily relates to the increase in real estate mortgage, rural residential real estate and communication volume offset in part by a decrease in production and intermediate term volume. The reduction in production and IT loans relates to the normal seasonal pay-downs on lines of credit during the first half of the year from grain sales. From June 30, 2014 to June 30, 2015 volume increased by $153,279 or 10.67 percent. The increase in loan volume primarily relates to an increase in production and IT, real estate mortgage, rural residential real estate, processing and marketing and communication volume.

Net loans outstanding at June 30, 2015 were $1,574,904 as compared to $1,569,774 at December 31, 2014. Net loans accounted for 95.23 percent of total assets at June 30, 2015 as compared to 94.08 percent at December 31, 2014.

The following table summarizes the Association's risk assets (accruing volume includes accrued interest receivable):

	6/30/15	12/31/14
Nonaccrual loans	$ 9,767	$ 11,814
Accruing restructured loans	–	–
Accruing loans 90 days or more past due	989	–
Total high risk loans	10,756	11,814
Other property owned	–	–
Total high-risk assets	$ 10,756	$ 11,814
Ratios:		
Nonaccrual loans to total loans	0.61%	0.75%
High-risk assets to total assets	0.65%	0.71%

High risk assets decreased during the first six months of 2015 primarily as a result of payments from a large commercial entity in nonaccrual status and due to a reduction of nonaccrual loans.

There is an inherent risk in the extension of any type of credit, and accordingly, the Association maintains an allowance for loan losses consistent with the risk measured in the portfolio.

General portfolio credit quality showed a slight decline during the first six months of 2015 when compared to December 31, 2014, but remains strong.

Credit administration is satisfactory.

During the first six months of 2015 the Association recorded $99 of charge-offs, recoveries of $1 and $1,468 provision for loan losses. The increase in provision for loan losses is due to loan volume growth, lower grain prices and weather conditions. For the same period of 2014, the Association recorded $21 charge-offs, no recoveries or provision for loan losses. The allowance for loan losses represented 0.97 percent and 0.88 percent of loans at June 30, 2015 and December 31, 2014, respectively.

RESULTS OF OPERATIONS

For the three months ending June 30, 2015

Net income for the three months ended June 30, 2015 (Q2 2015) was $8,021, a decrease of $984 or 10.93 percent when compared to the net income of $9,005 for the same period in 2014 (Q2 2014). Major changes in the components of net income when comparing Q2 2015 to Q2 2014 are identified as follows:

- Net interest income increased by $791 or 7.77 percent. The increase resulted primarily from earnings on increased loan volume and an increase in earnings on the Association's own funds in loans.

- Provision for loan losses increased by $1,468 as a result of Q2 2015 provision and no provision in Q2 2014.

- Noninterest income increased by $283 or 10.78 percent for the following reasons:

  Patronage dividends from AgFirst Farm Credit Bank (the Bank) increased by $308 as a result of higher regular and participation sold patronage related to higher loan volume previously discussed and increased participation sold volume.

  Loan fees increased by $34 primarily due to increased fees related to loan servicing, guarantee fees, appraisal fees, miscellaneous fees, and late charges.

  Gains (losses) on sales of premises and equipment decreased by $83 due to the sale of the former Tiffin office during Q2 2014 and no sales in Q2 2015.

  Other noninterest income increased by $1 due to an increase in FCC Services captive insurance income.

  Fees for financially related services (FRS) increased by $22 due to higher income from multi-peril crop insurance, life insurance and appraisal services.

- Noninterest expense increased by $385 or 9.61 percent primarily due to:

  Salary and benefits expense increased by $335 or 12.91 percent due to increased expenses related to scheduled salary increases, additional employees, salary related benefits, decreased deferred loan origination costs, higher incentive accrual, increased pension and retirement related expenses and increased healthcare costs.

  Occupancy and equipment increased by $5 primarily due to increased expenses for depreciation on new buildings and equipment, maintenance and utilities.

  Farm Credit System Insurance Corporation (FCSIC) premium expenses increased by $63 or 25.93 percent due to increased premium rates and increased loan volume.

  Guarantee fees decreased by $133 or 37.78 percent due to a reduction in new guarantees and related fees and the timing of annual USDA guarantee fee payments in 2014 as compared to 2015.

  Other operating expenses increased by $116 or 19.86 percent due to increased expenses for travel, director expenses, professional services, communication, advertising and PR. These were offset in part by lower non-property related insurance and printing expenses.

- The provision for income taxes increased by $205 due to the Q2 2014 reversal of the accrued franchise state tax liability but no provision in Q2 2015 due to the State of Ohio repealing the Franchise tax, which the Association previously paid. The Association is now paying under the Commercial Activity Tax (CAT).

For the six months ending June 30, 2015

Net income for the six months ended June 30, 2015 (YTD 2015) was $16,914, which is a decrease of $411 or 2.37 percent when compared to the net income of $17,325 for the same period in 2014 (YTD 2014). Major changes in the components of net income when comparing YTD 2015 to YTD 2014 are identified as follows:

- Net interest income increased by $1,431 or 7.09 percent. The increase is a result of the same reasons previously discussed.

- The risks identified in the portfolio at June 30, 2015 and June 30, 2014 resulted in an increase of $1,468 for YTD 2015 and no provision for loan losses for YTD 2014 for reasons previously discussed.

- Noninterest income increased by $590 or 11.44 percent primarily due to the $544 increase in patronage dividends from the Bank as previously discussed. This was offset partially by the decrease of $84 in net gain on sales of premises and equipment for reasons previously discussed.

- Noninterest expense increased by $809 or 9.89 percent primarily due to:

  Salary and benefits expense increased by $574, FCSIC insurance premium expenses increased by $108 and guarantee fees decreased by $440 for the reasons previously discussed.

  Net gains on other property owned (OPO) decreased by $275 primarily due to the gain on the sale of an OPO during the first half of 2014 and no gains recorded YTD 2015.

- The provision for income taxes increased by $155 for reasons previously discussed.

The following table shows the key results of operations ratios for the six months ended June 30, 2015 and June 30, 2014, respectively.

	6/30/2015	6/30/2014
Return on average assets	2.11%	2.39%
Return on average equity	13.41%	15.14%
Net interest margin	2.76%	2.85%
Members' equity to assets	15.87%	16.01%
Debt to members' equity (:1)	5.30	5.25

CAPITAL RESOURCES

Total members' equity was $262,434 at June 30, 2015 as compared to $245,737 at December 31, 2014 for an increase of $16,697 or 6.79 percent. The increase is due primarily to 2015 year-to-date earnings, the issuance of additional Class A Preferred Stock, Class C Stock and Participation Certificates. These increases were offset in part by a reduction in allocated equities.

FCA sets minimum regulatory capital requirements for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios. According to the FCA regulations, each institution's permanent capital ratio is calculated by dividing permanent capital by a risk adjusted asset base. Risk adjusted assets mean the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. As of June 30, 2015, the Association exceeded minimum regulatory standards for all the ratios.

The Association's capital ratios as of June 30, and the FCA minimum requirements follow:

	6/30/15	Regulatory Minimum
Permanent capital ratio	20.04%	7.00%
Total surplus ratio	18.42%	7.00%
Core surplus ratio	17.00%	3.50%

REGULATORY MATTERS

On July 25, 2014, the FCA published a proposed rule in the Federal Register to revise the requirements governing the eligibility of investments for System banks and associations. The public comment period ended on October 23, 2014. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System banks and associations.
- To ensure that System banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption.
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers.
- To comply with the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).
- To modernize the investment eligibility criteria for System banks.
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

On September 4, 2014, the FCA published a proposed rule in the Federal Register to modify the regulatory capital requirements for System banks and associations. The initial public comment period ended on February 16, 2015. On June 15, 2015, the Farm Credit Administration reopened the comment period from June 26 to July 10, 2015. The stated objectives of the proposed rule are as follows:

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

FINANCIAL REGULATORY REFORM

See discussion of the Dodd-Frank Act in the Financial Regulatory Reform section of the Association's 2014 Annual Report.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2014 Annual Report to Shareholders for recently issued accounting pronouncements.

Note: The Association obtains funding from AgFirst Farm Credit Bank (the Bank). The Association is materially affected and shareholder investment could be materially affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, *www.agfirst.com* or may be obtained at no charge by calling 1-800-845-1745, extension 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202.

Copies of the Association's Quarterly and Annual Reports are available on the Association's website, www.agcredit.net, or may be obtained upon request free of charge by calling 1-800-837-3678, extension 1023, or writing Daniel Ebert, Chief Financial Officer, Ag Credit, ACA, 610 W Lytle Street, Fostoria, OH 44830. The Association prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

Ag Credit Agricultural Credit Association

Consolidated Balance Sheets

(dollars in thousands)	June 30, 2015	December 31, 2014
	(unaudited)	*(audited)*
Assets		
Cash	**$ 1,884**	$ 4,656
Investment securities:		
Held to maturity (fair value of $22,050 and $22,945, respectively)	**22,377**	22,783
Loans	**1,590,288**	1,583,788
Allowance for loan losses	**(15,384)**	(14,014)
Net loans	**1,574,904**	1,569,774
Accrued interest receivable	**23,030**	20,609
Investments in other Farm Credit institutions	**17,185**	17,184
Premises and equipment, net	**6,917**	5,869
Accounts receivable	**5,410**	24,763
Other assets	**2,169**	2,908
Total assets	**$ 1,653,876**	$ 1,668,546
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 1,377,108**	$ 1,390,681
Accrued interest payable	**2,587**	2,635
Patronage refunds payable	**83**	20,109
Accounts payable	**820**	1,141
Advanced conditional payments	**1,164**	560
Other liabilities	**9,680**	7,683
Total liabilities	**1,391,442**	1,422,809
Commitments and contingencies (Note 7)		
Members' Equity		
Capital stock and participation certificates	**19,311**	19,173
Retained earnings		
Allocated	**157,568**	157,715
Unallocated	**85,555**	68,849
Total members' equity	**262,434**	245,737
Total liabilities and members' equity	**$ 1,653,876**	$ 1,668,546

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

Ag Credit Agricultural Credit Association

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Interest Income				
Loans	**$ 18,588**	$ 16,999	**$ 36,638**	$ 33,722
Investments	**291**	224	**585**	446
Total interest income	**18,879**	17,223	**37,223**	34,168
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**7,906**	7,041	**15,600**	13,976
Net interest income	**10,973**	10,182	**21,623**	20,192
Provision for loan losses	**1,468**	—	**1,468**	—
Net interest income after provision for loan losses	**9,505**	10,182	**20,155**	20,192
Noninterest Income				
Loan fees	**136**	102	**274**	180
Fees for financially related services	**39**	17	**55**	28
Patronage refunds from other Farm Credit institutions	**2,729**	2,421	**5,350**	4,806
Gains (losses) on sales of premises and equipment, net	**—**	83	**—**	84
Gains (losses) on other transactions	**1**	—	**2**	—
Other noninterest income	**4**	3	**68**	61
Total noninterest income	**2,909**	2,626	**5,749**	5,159
Noninterest Expense				
Salaries and employee benefits	**2,930**	2,595	**5,964**	5,390
Occupancy and equipment	**238**	233	**491**	457
Insurance Fund premiums	**306**	243	**597**	489
Guarantee fees	**219**	352	**428**	868
(Gains) losses on other property owned, net	**—**	1	**—**	(275)
Other operating expenses	**700**	584	**1,510**	1,252
Total noninterest expense	**4,393**	4,008	**8,990**	8,181
Income before income taxes	**8,021**	8,800	**16,914**	17,170
Provision (benefit) for income taxes	**—**	(205)	**—**	(155)
Net income	**8,021**	9,005	**16,914**	17,325
Other comprehensive income	**—**	—	**—**	—
Comprehensive income	**$ 8,021**	$ 9,005	**$ 16,914**	$ 17,325

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

Ag Credit Agricultural Credit Association

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
Balance at December 31, 2013	$ 18,956	$ 137,127	$ 65,209	$ 221,292
Comprehensive income			17,325	17,325
Capital stock/participation certificates issued/(retired), net	163			163
Dividends declared/paid			(98)	(98)
Retained earnings retired		(3)		(3)
Patronage distribution adjustment		96	(317)	(221)
Balance at June 30, 2014	$ 19,119	$ 137,220	$ 82,119	$ 238,458
Balance at December 31, 2014	**$ 19,173**	**$ 157,715**	**$ 68,849**	**$ 245,737**
Comprehensive income			**16,914**	**16,914**
Capital stock/participation certificates issued/(retired), net	**138**			**138**
Dividends declared/paid			**(94)**	**(94)**
Retained earnings retired		**(5)**		**(5)**
Patronage distribution adjustment		**(142)**	**(114)**	**(256)**
Balance at June 30, 2015	**$ 19,311**	**$ 157,568**	**$ 85,555**	**$ 262,434**

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

Ag Credit Agricultural Credit Association

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization
The accompanying financial statements include the accounts of Ag Credit Agricultural Credit Association (the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2014, are contained in the 2014 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation
In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies
The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Updates (ASUs) Issued During the Period
The following ASUs were issued by the Financial Accounting Standards Board (FASB) since the most recent Annual Report:

- 2015-10 Technical Corrections and Improvements – In June, 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements (numerous Topics). The amendments in the Update represent changes to make minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments were effective upon the issuance of the Update.

- 2015-07 Fair Value Measurement – In May, 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Topic 820 permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. To address diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized, the amendments in this Update remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years.

For all other entities, the guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Earlier application is permitted. The guidance is to be applied retrospectively to all periods presented. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations, but will require modifications to footnote disclosures.

ASUs Pending Effective Date
For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- 2014-09 Revenue from Contracts with Customers – On July 9, 2015, the FASB voted to delay the effective date by one year. A final ASU reflecting the revised effective date will be issued in third quarter of 2015.

Accounting Standards Effective During the Period
There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below.

No recently adopted accounting guidance issued by the FASB had a significant effect on the current period reporting. See the most recent Annual Report for a detailed description of each of the standards below:

- 2014-14 Classification of Certain Government-Guaranteed Mortgage Loans – The Association did not have a significant amount of loans that met the criteria of the guidance.

- 2014-11 Repurchase-to-Maturity Transactions – The Association did not have a significant amount of transactions that met the criteria of the guidance.

- 2014-08 Discontinued Operations – The Association has not had and does not anticipate any significant disposals.

- 2014-04 Reclassification of Consumer Mortgage Loans – The criteria of the standard were not significantly different from the Association's policy in place at adoption. The amendment was adopted prospectively. See Note 2, *Loans and Allowance for Loan Losses*, for the additional disclosures required by this guidance.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	June 30, 2015	December 31, 2014
Real estate mortgage	$ 747,202	$ 727,378
Production and intermediate-term	559,227	579,316
Processing and marketing	20,897	19,648
Farm-related business	14,923	16,215
Communication	2,450	–
Rural residential real estate	242,790	237,767
Lease receivables	1,870	2,534
Other (including Mission Related)	929	930
Total loans	$ 1,590,288	$ 1,583,788

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present participation and syndication loan balances at periods ended:

	June 30, 2015							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 1,138	$ 14,956	$ –	$ 715	$ 6,011	$ –	$ 7,149	$ 15,671
Production and intermediate-term	9,849	72,643	1,251	1,445	8,173	–	19,273	74,088
Processing and marketing	11,930	–	623	–	–	–	12,553	–
Communication	2,458	–	–	–	–	–	2,458	–
Lease receivables	–	–	8	–	–	–	8	–
Other (including Mission Related)	–	371	–	–	1,300	–	1,300	371
Total	$ 25,375	$ 87,970	$ 1,882	$ 2,160	$ 15,484	$ –	$ 42,741	$ 90,130

	December 31, 2014							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 283	$ 11,692	$ –	$ 748	$ 6,011	$ –	$ 6,294	$ 12,440
Production and intermediate-term	6,443	88,845	1,078	369	2,732	–	10,253	89,214
Processing and marketing	9,949	–	801	–	–	–	10,750	–
Lease receivables	–	–	258	–	–	–	258	–
Other (including Mission Related)	–	371	–	–	1,300	–	1,300	371
Total	$ 16,675	$ 100,908	$ 2,137	$ 1,117	$ 10,043	$ –	$ 28,855	$ 102,025

A significant source of liquidity for the Association is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

	June 30, 2015			
	Due less than 1 year	Due 1 through 5 years	Due after 5 years	Total
Real estate mortgage	$ 17,490	$ 51,836	$ 677,876	$ 747,202
Production and intermediate-term	188,665	222,407	148,155	559,227
Processing and marketing	68	10,958	9,871	20,897
Farm-related business	2,307	3,125	9,491	14,923
Communication	–	2,450	–	2,450
Rural residential real estate	1,525	8,733	232,532	242,790
Lease receivables	299	1,380	191	1,870
Other (including Mission Related)	929	–	–	929
Total loans	$ 211,283	$ 300,889	$ 1,078,116	$ 1,590,288
Percentage	13.29%	18.92%	67.79%	100.00%

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

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	June 30, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	98.58%	98.54%
OAEM	0.86	1.28
Substandard/doubtful/loss	0.56	0.18
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	94.96%	96.27%
OAEM	2.35	2.12
Substandard/doubtful/loss	2.69	1.61
	100.00%	100.00%
Processing and marketing		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business		
Acceptable	96.83%	96.91%
OAEM	0.21	0.31
Substandard/doubtful/loss	2.96	2.78
	100.00%	100.00%
Communication:		
Acceptable	100.00%	–%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	–%

	June 30, 2015	December 31, 2014
Rural residential real estate:		
Acceptable	98.69%	98.99%
OAEM	0.54	0.49
Substandard/doubtful/loss	0.77	0.52
	100.00%	100.00%
Lease receivables:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Other (including Mission Related):		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	97.33%	97.78%
OAEM	1.32	1.44
Substandard/doubtful/loss	1.35	0.78
	100.00%	100.00%

The following tables provide an age analysis of the recorded investment of past due loans as of:

	June 30, 2015					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,012	$ 361	$ 1,373	$ 759,524	$ 760,897	$ 271
Production and intermediate-term	4,306	746	5,052	562,088	567,140	718
Processing and marketing	628	–	628	20,337	20,965	–
Farm-related business	–	331	331	14,767	15,098	–
Communication	–	–	–	2,450	2,450	–
Rural residential real estate	717	81	798	243,062	243,860	–
Lease receivables	8	–	8	1,862	1,870	–
Other (including Mission Related)	–	–	–	929	929	–
Total	$ 6,671	$ 1,519	$ 8,190	$ 1,605,019	$ 1,613,209	$ 989

	December 31, 2014					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,369	$ –	$ 1,369	$ 737,995	$ 739,364	$ –
Production and intermediate-term	627	–	627	586,119	586,746	–
Processing and marketing	–	–	–	19,696	19,696	–
Farm-related business	–	331	331	16,013	16,344	–
Rural residential real estate	909	–	909	237,785	238,694	–
Lease receivables	–	–	–	2,534	2,534	–
Other (including Mission Related)	–	–	–	930	930	–
Total	$ 2,905	$ 331	$ 3,236	$ 1,601,072	$ 1,604,308	$ –

Nonperforming assets (including the recorded investment for loans) and related credit quality statistics at period end were as follows:

	June 30, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	$ 1,091	$ 1,298
Production and intermediate-term	7,915	9,817
Farm-related business	331	331
Rural residential real estate	430	368
Total	$ 9,767	$ 11,814
Accruing restructured loans:		
Total	$ –	$ –
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 271	$ –
Production and intermediate-term	718	–
Total	$ 989	$ –
Total nonperforming loans	$ 10,756	$ 11,814
Other property owned	–	–
Total nonperforming assets	$ 10,756	$ 11,814
Nonaccrual loans as a percentage of total loans	0.61%	0.75%
Nonperforming assets as a percentage of total loans and other property owned	0.68%	0.75%
Nonperforming assets as a percentage of capital	4.10%	4.81%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	June 30, 2015	December 31, 2014
Impaired nonaccrual loans:		
Current as to principal and interest	$ 9,160	$ 11,214
Past due	607	600
Total	9,767	11,814
Impaired accrual loans:		
Restructured	–	–
90 days or more past due	989	–
Total	989	–
Total impaired loans	$ 10,756	$ 11,814

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	June 30, 2015			Quarter Ended June 30, 2015		Six Months Ended June 30, 2015	
Impaired loans	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:							
Production and intermediate-term	$ 5,291	$ 5,917	$ 2,142	$ 6,415	$ 1	$ 6,306	$ 1
Farm-related business	331	401	188	402	–	395	–
Rural residential real estate	430	491	106	522	–	513	–
Total	$ 6,052	$ 6,809	$ 2,436	$ 7,339	$ 1	$ 7,214	$ 1
With no related allowance for credit losses:							
Real estate mortgage	$ 1,362	$ 1,648	$ –	$ 1,651	$ –	$ 1,623	$ –
Production and intermediate-term	3,342	12,405	–	4,055	–	3,984	–
Total	$ 4,704	$ 14,053	$ –	$ 5,706	$ –	$ 5,607	$ –
Total:							
Real estate mortgage	$ 1,362	$ 1,648	$ –	$ 1,651	$ –	$ 1,623	$ –
Production and intermediate-term	8,633	18,322	2,142	10,470	1	10,290	1
Farm-related business	331	401	188	402	–	395	–
Rural residential real estate	430	491	106	522	–	513	–
Total	$ 10,756	$ 20,862	$ 2,436	$ 13,045	$ 1	$ 12,821	$ 1

Impaired loans	December 31, 2014 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2014 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Production and intermediate-term	$ 6,002	$ 6,307	$ 2,123	$ 7,055	$ 98
Farm-related business	331	401	183	389	5
Rural residential real estate	368	419	71	432	6
Total	$ 6,701	$ 7,127	$ 2,377	$ 7,876	$ 109
With no related allowance for credit losses:					
Real estate mortgage	$ 1,298	$ 1,532	$ –	$ 1,526	$ 21
Production and intermediate-term	3,815	12,666	–	4,484	63
Total	$ 5,113	$ 14,198	$ –	$ 6,010	$ 84
Total:					
Real estate mortgage	$ 1,298	$ 1,532	$ –	$ 1,526	$ 21
Production and intermediate-term	9,817	18,973	2,123	11,539	161
Farm-related business	331	401	183	389	5
Rural residential real estate	368	419	71	432	6
Total	$ 11,814	$ 21,325	$ 2,377	$ 13,886	$ 193

Commitments to lend additional funds to debtors whose loans were classified as impaired at June 30, 2015 totaled $3,263.

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Rural Residential Real Estate	Lease Receivables	Other	Total
Activity related to the allowance for credit losses:								
Balance at March 31, 2015	$ 1,680	$ 10,187	$ 380	$ 11	$ 1,748	$ 5	$ 4	$ 14,015
Charge-offs	–	(99)	–	–	–	–	–	(99)
Recoveries	–	–	–	–	–	–	–	–
Provision for loan losses	93	1,404	5	–	(32)	(2)	–	1,468
Balance at June 30, 2015	$ 1,773	$ 11,492	$ 385	$ 11	$ 1,716	$ 3	$ 4	$ 15,384
Balance at December 31, 2014	$ 1,703	$ 10,385	$ 349	$ –	$ 1,568	$ 5	$ 4	$ 14,014
Charge-offs	–	(99)	–	–	–	–	–	(99)
Recoveries	–	–	–	–	1	–	–	1
Provision for loan losses	70	1,206	36	11	147	(2)	–	1,468
Balance at June 30, 2015	$ 1,773	$ 11,492	$ 385	$ 11	$ 1,716	$ 3	$ 4	$ 15,384
Balance at March 31, 2014	$ 1,794	$ 11,337	$ 268	$ –	$ 2,028	$ 7	$ –	$ 15,434
Charge-offs	–	–	–	–	(21)	–	–	(21)
Recoveries	–	–	–	–	–	–	–	–
Provision for loan losses	(87)	14	109	–	(35)	(1)	–	–
Balance at June 30, 2014	$ 1,707	$ 11,351	$ 377	$ –	$ 1,972	$ 6	$ –	$ 15,413
Balance at December 31, 2013	$ 1,635	$ 11,558	$ 429	$ –	$ 1,806	$ 6	$ –	$ 15,434
Charge-offs	–	–	–	–	(21)	–	–	(21)
Recoveries	–	–	–	–	–	–	–	–
Provision for loan losses	72	(207)	(52)	–	187	–	–	–
Balance at June 30, 2014	$ 1,707	$ 11,351	$ 377	$ –	$ 1,972	$ 6	$ –	$ 15,413
Allowance on loans evaluated for impairment:								
Individually	$ –	$ 2,142	$ 188	$ –	$ 106	$ –	$ –	$ 2,436
Collectively	1,773	9,350	197	11	1,610	3	4	12,948
Balance at June 30, 2015	$ 1,773	$ 11,492	$ 385	$ 11	$ 1,716	$ 3	$ 4	$ 15,384
Individually	$ –	$ 2,123	$ 183	$ –	$ 71	$ –	$ –	$ 2,377
Collectively	1,703	8,262	166	–	1,497	5	4	11,637
Balance at December 31, 2014	$ 1,703	$ 10,385	$ 349	$ –	$ 1,568	$ 5	$ 4	$ 14,014
Recorded investment in loans evaluated for impairment:								
Individually	$ 1,091	$ 7,915	$ 331	$ –	$ 430	$ –	$ –	$ 9,767
Collectively	759,806	559,225	35,732	2,450	243,430	1,870	929	1,603,442
Balance at June 30, 2015	$ 760,897	$ 567,140	$ 36,063	$ 2,450	$ 243,860	$ 1,870	$ 929	$ 1,613,209
Individually	$ 1,298	$ 9,817	$ 331	$ –	$ 368	$ –	$ –	$ 11,814
Collectively	738,066	576,929	35,709	–	238,326	2,534	930	1,592,494
Balance at December 31, 2014	$ 739,364	$ 586,746	$ 36,040	$ –	$ 238,694	$ 2,534	$ 930	$ 1,604,308

**Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. There were no TDRs for the three and six month periods ended June 30, 2015 or June 30, 2014.

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during periods presented. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs		Nonaccrual TDRs	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Real estate mortgage	$ 906	$ 1,030	$ 906	$ 1,030
Production and intermediate-term	7,876	9,802	7,876	9,802
Rural residential real estate	350	368	350	368
Total Loans	$ 9,132	$ 11,200	$ 9,132	$ 11,200
Additional commitments to lend	$ 3,263	$ 2,500		

The following table presents information as of period end:

	June 30, 2015
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	$ –
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ –

Note 3 — Investments

Investment Securities

The Association's investments consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment program approved by the FCA. In its Conditions of Approval for the program, the FCA considers a RAB ineligible if its investment rating, based on the internal 14-point probability of default scale used to also grade loans, falls below 9. The FCA requires System institutions to provide notification when a security becomes ineligible. At June 30, 2015, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	June 30, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 22,377	$ 201	$ (528)	$ 22,050	5.07%

	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 22,783	$ 337	$ (175)	$ 22,945	5.07%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	June 30, 2015		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	2,404	2,465	5.13
After ten years	19,973	19,585	5.07
Total	$ 22,377	$ 22,050	5.07%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	June 30, 2015			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 13,403	$ (490)	$ 2,358	$ (38)

	December 31, 2014			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 9,852	$ (35)	$ 3,587	$ (140)

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

Investments in other Farm Credit Institutions

The Association is required to maintain ownership in AgFirst Farm Credit Bank (AgFirst or the Bank) of Class B and Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owns 6.88 percent of the issued stock of the Bank as of June 30, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.8 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $168 million for the first six months of 2015. In addition, the Association has an investment of $10 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5— Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association had no Level 2 assets or liabilities measured at fair value on a recurring basis.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Fair values are estimated at least annually, or when information suggests a significant change in value, for assets measured at fair value on a nonrecurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	At or for the Six Months Ended June 30, 2015					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 62	$ 62	$ –	$ –	$ 62	
Recurring Assets	$ 62	$ 62	$ –	$ –	$ 62	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 8,320	$ –	$ –	$ 8,320	$ 8,320	$ (157)
Other property owned	–	–	–	–	–	–
Nonrecurring Assets	$ 8,320	$ –	$ –	$ 8,320	$ 8,320	$ (157)
Other Financial Instruments						
Assets:						
Cash	$ 1,884	$ 1,884	$ –	$ –	$ 1,884	
Investment securities, held-to-maturity	22,377	–	–	22,050	22,050	
Loans	1,566,584	–	–	1,534,140	1,534,140	
Other Financial Assets	$ 1,590,845	$ 1,884	$ –	$ 1,556,190	$ 1,558,074	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,377,108	$ –	$ –	$ 1,344,645	$ 1,344,645	
Other Financial Liabilities	$ 1,377,108	$ –	$ –	$ 1,344,645	$ 1,344,645	

	At or for the Year Ended December 31, 2014					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 9,437	$ –	$ –	$ 9,437	$ 9,437	$ 2,435
Other property owned	–	–	–	–	–	263
Nonrecurring Assets	$ 9,437	$ –	$ –	$ 9,437	$ 9,437	$ 2,698
Other Financial Instruments						
Assets:						
Cash	$ 4,656	$ 4,656	$ –	$ –	$ 4,656	
Investment securities, held-to-maturity	22,783	–	–	22,945	22,945	
Loans	1,560,337	–	–	1,531,249	1,531,249	
Other Financial Assets	$ 1,587,776	$ 4,656	$ –	$ 1,554,194	$ 1,558,850	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,390,681	$ –	$ –	$ 1,362,239	$ 1,362,239	
Other Financial Liabilities	$ 1,390,681	$ –	$ –	$ 1,362,239	$ 1,362,239	

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investment Securities

The fair values of predominantly all Level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 8,320	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement costs	*
			Comparability adjustments	*

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
Investment securities, held-to-maturity	Discounted cash flow	Prepayment rates
		Risk adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

Note 6 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Pension	$ 371	$ 350	$ 741	$ 699
401(k)	132	101	258	201
Other postretirement benefits	143	87	286	175
Total	$ 646	$ 538	$ 1,285	$ 1,075

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 6/30/15	Projected Contributions For Remainder of 2015	Projected Total Contributions 2015
Pension	$ –	$ 2,068	$ 2,068
Other postretirement benefits	111	113	224
Total	$ 111	$ 2,181	$ 2,292

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2015.

Further details regarding employee benefit plans are contained in the 2014 Annual Report to Shareholders, including a discussion of benefit plan changes related to the termination of the AgFirst Farm Credit Cash Balance Retirement Plan.

Note 7 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 8 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through August 7, 2015, which was the date the financial statements were issued.