
Carolina Farm Credit, ACA
THIRD QUARTER 2015

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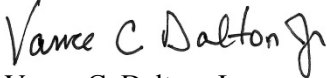
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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2015 quarterly report of Carolina Farm Credit, ACA, 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.


Vance C. Dalton, Jr.
Chief Executive Officer


Christopher H. Scott
Chief Financial Officer


Mark A. Bray
Chairman of the Board

November 6, 2015

Carolina Farm Credit, ACA

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. This process provides 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.

Internal control over financial reporting 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 September 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 September 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 weaknesses in the internal control over financial reporting as of September 30, 2015.



Vance C. Dalton, Jr.
Chief Executive Officer



Christopher H. Scott
Chief Financial Officer

November 6, 2015

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Carolina Farm Credit, ACA (Association) for the period ended September 30, 2015. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2014 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

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. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including part-time farm, poultry, and rural home loans. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, reduces the dependency on a single agricultural commodity.

The gross loan volume of the Association as of September 30, 2015, was \$1,376,089, an increase of \$4,898 as compared to \$1,371,191 at December 31, 2014. Net loans outstanding at September 30, 2015, were \$1,368,313, as compared to \$1,364,577 at December 31, 2014. Net loans accounted for 94.33% of total assets at September 30, 2015, as compared to 93.27% of total assets at December 31, 2014. The increase in loan volume during the reporting period is a result of new loan volume outpacing principal payments and payoffs.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory.

Nonaccrual loans increased from \$17,478 at December 31, 2014, to \$19,979 at September 30, 2015. This increase is primarily the result of transfers of loan volume to nonaccrual being more than regular payments made on nonaccrual loans, along with nonaccrual loans liquidated or reinstated back to accrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb estimated, incurred losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at September 30, 2015, was \$7,776 compared to \$6,614 at December 31, 2014.

RESULTS OF OPERATIONS

For the three months ended September 30, 2015

Net income for the three months ended September 30, 2015, totaled \$5,943, as compared to \$6,591 for the same period in 2014, which is a decrease of \$648. Net interest income decreased only \$3 for the three months ended September 30, 2015, as compared to the same period in 2014.

Total interest income decreased \$102 during the three months ended September 30, 2015, as compared to the same period in 2014. Interest income recognized on nonaccrual loans was \$405 for the three months ended September 30, 2015, as compared to \$434 for the same period in 2014, a decrease of \$29. Interest expense decreased \$99 for the three months ended September 30, 2015, as compared to the same period in 2014.

The Association recorded a provision/(reversal) for loan losses of \$367 for the three months ended September 30, 2015 as compared to a provision/(reversal) of \$670 for the same period of 2014.

Noninterest income for the three months ended September 30, 2015, totaled \$3,570, as compared to \$3,398 for the same period in 2014, an increase of \$172. The increase in noninterest income is attributed to increases of \$386 in loan fees, \$251 in gains/(losses) on the sale of rural home loans, \$11 in gains/(losses) on sales of premises and equipment, and \$8 in other noninterest income, when compared to the same period in 2014. These increases were offset by decreases of \$39 in fees for financially-related services, \$127 in patronage refunds from other Farm Credit institutions, and \$318 in gains/(losses) on other transactions, when compared to the same period in 2014.

Noninterest expense for the three months ended September 30, 2015, increased \$1,120, as compared to the same period in 2014. This increase in noninterest expense is attributed to increases of \$1,016 in salaries and employee benefits, \$17 in occupancy and equipment, \$12 in Insurance Fund premiums, and \$103 in (gains)/losses on other property owned, when compared to the same period in 2014. These increases were offset by a decrease

of \$28 in other operating expenses, when compared to the same period in 2014.

The Association recorded a provision for income taxes of \$0 for the three months ended September 30, 2015, as compared to a provision of \$0 for the same period in 2014.

For the nine months ended September 30, 2015

Net income for the nine months ended September 30, 2015, totaled \$18,106, as compared to \$19,532 for the same period in 2014, a decrease of \$1,426, or 7.30 percent. Net interest income decreased \$897 for the nine months ended September 30, 2015, as compared to the same period in 2014.

Total interest income decreased \$588 during the nine months ended September 30, 2015, as compared to the same period in 2014. Interest income recognized on nonaccrual loans was \$692 for the nine months ended September 30, 2015, as compared to \$1,022 for the same period in 2014, a decrease of \$330. Interest expense increased \$309 for the nine months ended September 30, 2015, as compared to the same period in 2014.

The Association recorded a provision for loan losses of \$1,100 for the nine months ended September 30, 2015 as compared to a provision of \$1,394 for the same period in 2014.

Noninterest income for the nine months ended September 30, 2015, totaled \$10,781, as compared to \$10,082 for the same period in 2014, an increase of \$699. The overall increase is attributed to an increase of \$742 in loan fees, \$841 in gains/(losses) on the sale of rural home loans, and \$15 in other non-interest income, when compared to the same period in 2014. These increases were offset by decreases of \$48 in fees for financially-related services, \$332 in patronage refunds from other Farm Credit institutions, \$20 in gains/(losses) on sales of premises and equipment, and \$499 in gains/(losses) on other transactions, when compared to the same period in 2014.

Noninterest expense for the nine months ended September 30, 2015, totaled \$27,317, as compared to \$25,795 for the same period in 2014, an increase of \$1,522. This increase in noninterest expense is attributed to increases of \$2,171 in salaries and employee benefits, \$153 in occupancy and equipment, and \$37 in Insurance Fund premiums, when compared to the same period in 2014. These increases were offset by decreases of \$553 in (gains)/losses on other property owned, and \$286 in other operating expenses when compared for the same period in 2014.

The Association recorded a provision for income taxes of \$1 for the nine months ended September 30, 2015 as compared to \$1 for the same period in 2014.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst through a General Financing

Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2015, were \$1,103,358, as compared to \$1,128,326 at December 31, 2014. The decrease during the period is primarily attributable to the declines in loan volume and the payment of AgFirst patronage to the Association in January.

The Association has no lines of credit outstanding with third parties as of September 30, 2015.

CAPITAL RESOURCES

Total members' equity at September 30, 2015, increased to \$305,788 from the December 31, 2014, total of \$299,229. The change in capital is primarily attributable to net earnings in the current year, offset by the retirement of some allocated equities.

Farm Credit administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of September 30, 2015, the Association's total surplus ratio and core surplus ratio were 21.43% and 18.86%, respectively, and the permanent capital ratio was 22.04%. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

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 Act 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: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-521-9952, or writing Christopher H. Scott, CFO, Carolina Farm Credit, ACA, P.O. Box 1827, Statesville NC 28687-1827, or accessing the website, www.carolinafarmcredit.com. The Association prepares a 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 institution.

Carolina Farm Credit, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2015 <i>(unaudited)</i>	December 31, 2014 <i>(audited)</i>
Assets		
Cash	\$ 2,865	\$ 2,913
Investment securities:		
Held to maturity (fair value of \$1,802 and \$1,983, respectively)	1,890	2,099
Loans	1,376,089	1,371,191
Allowance for loan losses	(7,776)	(6,614)
Net loans	1,368,313	1,364,577
Loans held for sale	4,768	3,473
Accrued interest receivable	18,268	14,123
Investments in other Farm Credit institutions	15,591	15,605
Premises and equipment, net	16,938	17,107
Other property owned	992	2,892
Accounts receivable	6,616	23,419
Other assets	14,239	16,846
Total assets	\$ 1,450,480	\$ 1,463,054
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 1,103,358	\$ 1,128,326
Accrued interest payable	2,278	2,284
Patronage refunds payable	1,860	6,140
Accounts payable	2,669	2,166
Other liabilities	34,527	24,909
Total liabilities	1,144,692	1,163,825
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	8,466	8,062
Retained earnings		
Allocated	172,383	183,568
Unallocated	126,208	108,928
Accumulated other comprehensive income (loss)	(1,269)	(1,329)
Total members' equity	305,788	299,229
Total liabilities and members' equity	\$ 1,450,480	\$ 1,463,054

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

Carolina Farm Credit, ACA
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Interest Income				
Loans	\$ 19,136	\$ 19,218	\$ 55,642	\$ 56,146
Investments	24	44	73	157
Total interest income	19,160	19,262	55,715	56,303
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	6,804	6,903	19,960	19,661
Other	—	—	12	2
Total interest expense	6,804	6,903	19,972	19,663
Net interest income	12,356	12,359	35,743	36,640
Provision for loan losses	367	670	1,100	1,394
Net interest income after provision for loan losses	11,989	11,689	34,643	35,246
Noninterest Income				
Loan fees	851	465	2,043	1,301
Fees for financially related services	116	155	213	261
Patronage refunds from other Farm Credit institutions	2,140	2,267	6,437	6,769
Gains (losses) on sales of rural home loans, net	634	383	1,813	972
Gains (losses) on sales of premises and equipment, net	23	12	167	187
Gains (losses) on other transactions	(235)	83	(138)	361
Other noninterest income	41	33	246	231
Total noninterest income	3,570	3,398	10,781	10,082
Noninterest Expense				
Salaries and employee benefits	6,556	5,540	19,061	16,890
Occupancy and equipment	799	782	1,999	1,846
Insurance Fund premiums	338	326	993	956
(Gains) losses on other property owned, net	470	367	689	1,242
Other operating expenses	1,453	1,481	4,575	4,861
Total noninterest expense	9,616	8,496	27,317	25,795
Income before income taxes	5,943	6,591	18,107	19,533
Provision for income taxes	—	—	1	1
Net income	\$ 5,943	\$ 6,591	\$ 18,106	\$ 19,532

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

Carolina Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Net income	\$ 5,943	\$ 6,591	\$ 18,106	\$ 19,532
Other comprehensive income net of tax				
Employee benefit plans adjustments	<u>20</u>	<u>47</u>	<u>60</u>	<u>139</u>
Comprehensive income	<u>\$ 5,963</u>	<u>\$ 6,638</u>	<u>\$ 18,166</u>	<u>\$ 19,671</u>

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

Carolina Farm Credit, ACA
Consolidated Statements of Changes in
Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2013	\$ 7,927	\$ 167,311	\$ 105,259	\$ (432)	\$ 280,065
Comprehensive income			19,532	139	19,671
Capital stock/participation certificates issued/(retired), net	284				284
Retained earnings retired		(13,098)			(13,098)
Patronage distribution adjustment		223	(127)		96
Balance at September 30, 2014	\$ 8,211	\$ 154,436	\$ 124,664	\$ (293)	\$ 287,018
Balance at December 31, 2014	\$ 8,062	\$ 183,568	\$ 108,928	\$ (1,329)	\$ 299,229
Comprehensive income			18,106	60	18,166
Capital stock/participation certificates issued/(retired), net	404				404
Retained earnings retired		(12,187)			(12,187)
Patronage distribution adjustment		1,002	(826)		176
Balance at September 30, 2015	\$ 8,466	\$ 172,383	\$ 126,208	\$ (1,269)	\$ 305,788

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

Carolina Farm Credit, ACA

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 Carolina Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, 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 6, *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:

- 2015-16 Business Combinations – In September, 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations.
- 2015-15 Interest – In August, 2015, the FASB issued ASU 2015-15 Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with

Line-of-Credit Arrangements. The update adds Securities and Exchange Commission (SEC) paragraphs pursuant to the SEC Staff Announcement at the June 18, 2015 Emerging Issues Task Force (EITF) meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements.

- 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. 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.
- Accounting Standards Update 2015-02 Consolidation (Topic 810): Amendments to the Consolidation

Analysis. The amendments in this Update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: 1. Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, 2. Eliminate the presumption that a general partner should consolidate a limited partnership, 3. Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, 4. Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. Application of this guidance is not expected to have an impact on the Association’s financial condition or results of operations.

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:

- ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date – In August, 2015, the FASB issued an update that defers by one year the effective date of ASU 2014-09, Revenue from Contracts with Customers. The new ASU reflects decisions reached by the FASB at its meeting on July 9, 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.

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.

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

A summary of loans outstanding at period end follows:

	September 30, 2015	December 31, 2014
Real estate mortgage	\$ 706,878	\$ 687,531
Production and intermediate-term	576,997	590,611
Loans to cooperatives	626	24
Processing and marketing	19,037	22,319
Farm-related business	12,880	5,135
Communication	6,407	8,786
Energy and water/waste disposal	1,910	2,107
Rural residential real estate	51,132	54,678
International	222	–
Total Loans	\$ 1,376,089	\$ 1,371,191

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 loan balances at periods ended:

September 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	5,064	–	–	–	–	–	5,064	–
Production and intermediate-term	15,442	40,905	6,887	–	–	–	22,329	40,905
Loans to cooperatives	491	–	11	–	–	–	502	–
Processing and marketing	19,003	–	–	–	–	–	19,003	–
Farm-related business	3,039	2,660	–	–	–	–	3,039	2,660
Communication	6,432	–	–	–	–	–	6,432	–
Energy and water/waste disposal	1,941	–	–	–	–	–	1,941	–
International	227	–	–	–	–	–	227	–
Total	\$ 51,639	\$ 43,565	\$ 6,898	\$ –	\$ –	\$ –	\$ 58,537	\$ 43,565

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	5,888	3,334	–	736	–	–	5,888	4,070
Production and intermediate-term	18,373	113,998	6,055	–	–	–	24,428	113,998
Loans to cooperatives	–	–	12	–	–	–	12	–
Processing and marketing	21,738	–	–	–	–	–	21,738	–
Farm-related business	1,852	–	–	–	–	–	1,852	–
Communication	8,812	–	–	–	–	–	8,812	–
Energy and water/waste disposal	2,143	–	–	–	–	–	2,143	–
Total	\$ 58,806	\$ 117,332	\$ 6,067	\$ 736	\$ –	\$ –	\$ 64,873	\$ 118,068

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:

	September 30, 2015			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	\$ 37,363	\$ 127,652	\$ 541,863	\$ 706,878
Production and intermediate-term	163,490	216,021	197,486	576,997
Loans to cooperatives	–	547	79	626
Processing and marketing	511	8,476	10,050	19,037
Farm-related business	7,579	1,960	3,341	12,880
Communication	–	6,407	–	6,407
Energy and water/waste disposal	–	362	1,548	1,910
Rural residential real estate	4,436	11,940	34,756	51,132
International	–	222	–	222
Total Loans	\$ 213,379	\$ 373,587	\$ 789,123	\$ 1,376,089
Percentage	15.51%	27.15%	57.34%	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:

	September 30, 2015	December 31, 2014		September 30, 2015	December 31, 2014
Real estate mortgage:			Communication:		
Acceptable	89.73%	89.81%	Acceptable	100.00%	100.00%
OAEM	6.51	5.67	OAEM	–	–
Substandard/doubtful/loss	3.76	4.52	Substandard/doubtful/loss	–	–
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Energy and water/waste disposal:		
Acceptable	88.56%	89.69%	Acceptable	100.00%	100.00%
OAEM	8.39	4.61	OAEM	–	–
Substandard/doubtful/loss	3.05	5.70	Substandard/doubtful/loss	–	–
	100.00%	100.00%		100.00%	100.00%
Loans to cooperatives:			Rural residential real estate:		
Acceptable	100.00%	100.00%	Acceptable	94.48%	94.80%
OAEM	–	–	OAEM	2.52	2.64
Substandard/doubtful/loss	–	–	Substandard/doubtful/loss	3.00	2.56
	100.00%	100.00%		100.00%	100.00%
Processing and marketing:			International:		
Acceptable	100.00%	100.00%	Acceptable	100.00%	–%
OAEM	–	–	OAEM	–	–
Substandard/doubtful/loss	–	–	Substandard/doubtful/loss	–	–
	100.00%	100.00%		100.00%	–%
Farm-related business:			Total Loans:		
Acceptable	46.78%	99.68%	Acceptable	89.23%	90.24%
OAEM	–	–	OAEM	6.96	4.93
Substandard/doubtful/loss	53.22	0.32	Substandard/doubtful/loss	3.81	4.83
	100.00%	100.00%		100.00%	100.00%

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

	September 30, 2015					Recorded Investment 90 Days or More Past Due and Accruing Interest
	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	
Real estate mortgage	\$ 2,767	\$ 2,009	\$ 4,776	\$ 712,210	\$ 716,986	\$ –
Production and intermediate-term	2,815	3,032	5,847	578,983	584,830	–
Loans to cooperatives	–	–	–	628	628	–
Processing and marketing	485	–	485	18,603	19,088	–
Farm-related business	–	–	–	12,902	12,902	–
Communication	–	–	–	6,407	6,407	–
Energy and water/waste disposal	–	–	–	1,910	1,910	–
Rural residential real estate	663	412	1,075	50,304	51,379	–
International	–	–	–	222	222	–
Total	\$ 6,730	\$ 5,453	\$ 12,183	\$ 1,382,169	\$ 1,394,352	\$ –

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	\$ 4,586	\$ 1,554	\$ 6,140	\$ 689,230	\$ 695,370	\$ -
Production and intermediate-term	2,101	3,006	5,107	591,521	596,628	-
Loans to cooperatives	12	-	12	12	24	-
Processing and marketing	-	-	-	22,333	22,333	-
Farm-related business	-	-	-	5,162	5,162	-
Communication	-	-	-	8,789	8,789	-
Energy and water/waste disposal	-	-	-	2,119	2,119	-
Rural residential real estate	891	205	1,096	53,786	54,882	-
Total	<u>\$ 7,590</u>	<u>\$ 4,765</u>	<u>\$ 12,355</u>	<u>\$ 1,372,952</u>	<u>\$ 1,385,307</u>	<u>\$ -</u>

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

	September 30, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	\$ 4,788	\$ 11,354
Production and intermediate-term	7,829	5,736
Farm-related business	6,854	-
Rural residential real estate	508	388
Total	<u>\$ 19,979</u>	<u>\$ 17,478</u>
Accruing restructured loans:		
Real estate mortgage	\$ 1,718	\$ 1,742
Production and intermediate-term	503	1,175
Farm-related business	531	572
Rural residential real estate	112	118
Total	<u>\$ 2,864</u>	<u>\$ 3,607</u>
Accruing loans 90 days or more past due:		
Total	<u>\$ -</u>	<u>\$ -</u>
Total nonperforming loans	\$ 22,843	\$ 21,085
Other property owned	992	2,892
Total nonperforming assets	<u>\$ 23,835</u>	<u>\$ 23,977</u>
Nonaccrual loans as a percentage of total loans	1.45%	1.27%
Nonperforming assets as a percentage of total loans and other property owned	1.73%	1.74%
Nonperforming assets as a percentage of capital	<u>7.79%</u>	<u>8.01%</u>

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.

	September 30, 2015	December 31, 2014
Impaired nonaccrual loans:		
Current as to principal and interest	\$ 11,732	\$ 10,833
Past due	8,247	6,645
Total	<u>19,979</u>	<u>17,478</u>
Impaired accrual loans:		
Restructured	2,864	3,607
90 days or more past due	-	-
Total	<u>2,864</u>	<u>3,607</u>
Total impaired loans	<u>\$ 22,843</u>	<u>\$ 21,085</u>

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

Impaired loans	September 30, 2015			Quarter Ended September 30, 2015		Nine Months Ended September 30, 2015	
	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:							
Real estate mortgage	\$ 324	\$ 339	\$ 49	\$ 307	\$ 6	\$ 304	\$ 12
Production and intermediate-term	574	577	233	544	11	539	20
Farm-related business	6,855	6,884	1,268	6,494	134	6,435	243
Rural residential real estate	—	—	—	—	—	—	—
Total	\$ 7,753	\$ 7,800	\$ 1,550	\$ 7,345	\$ 151	\$ 7,278	\$ 275
With no related allowance for credit losses:							
Real estate mortgage	\$ 6,182	\$ 6,955	\$ —	\$ 5,857	\$ 121	\$ 5,804	\$ 219
Production and intermediate-term	7,758	10,803	—	7,349	151	7,282	275
Farm-related business	530	530	—	503	10	498	19
Rural residential real estate	620	688	—	587	12	582	22
Total	\$ 15,090	\$ 18,976	\$ —	\$ 14,296	\$ 294	\$ 14,166	\$ 535
Total:							
Real estate mortgage	\$ 6,506	\$ 7,294	\$ 49	\$ 6,164	\$ 127	\$ 6,108	\$ 231
Production and intermediate-term	8,332	11,380	233	7,893	162	7,821	295
Farm-related business	7,385	7,414	1,268	6,997	144	6,933	262
Rural residential real estate	620	688	—	587	12	582	22
Total	\$ 22,843	\$ 26,776	\$ 1,550	\$ 21,641	\$ 445	\$ 21,444	\$ 810

Impaired loans	December 31, 2014			Year Ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	\$ 7,530	\$ 7,697	\$ 1,335	\$ 8,711	\$ 536
Production and intermediate-term	533	596	107	617	38
Farm-related business	—	—	—	—	—
Rural residential real estate	113	110	61	130	8
Total	\$ 8,176	\$ 8,403	\$ 1,503	\$ 9,458	\$ 582
With no related allowance for credit losses:					
Real estate mortgage	\$ 5,566	\$ 6,197	\$ —	\$ 6,438	\$ 396
Production and intermediate-term	6,378	11,275	—	7,378	454
Farm-related business	572	570	—	661	41
Rural residential real estate	393	465	—	456	28
Total	\$ 12,909	\$ 18,507	\$ —	\$ 14,933	\$ 919
Total:					
Real estate mortgage	\$ 13,096	\$ 13,894	\$ 1,335	\$ 15,149	\$ 932
Production and intermediate-term	6,911	11,871	107	7,995	492
Farm-related business	572	570	—	661	41
Rural residential real estate	506	575	61	586	36
Total	\$ 21,085	\$ 26,910	\$ 1,503	\$ 24,391	\$ 1,501

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

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

	Real Estate Mortgage	Production and Intermediate- term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Activity related to the allowance for credit losses:								
Balance at June 30, 2015	\$ 2,820	\$ 3,208	\$ 1,321	\$ 43	\$ 6	\$ 85	\$ 1	\$ 7,484
Charge-offs	(84)	(3)	—	—	—	—	—	(87)
Recoveries	2	10	—	—	—	—	—	12
Provision for loan losses	311	58	(2)	(4)	—	5	(1)	367
Balance at September 30, 2015	\$ 3,049	\$ 3,273	\$ 1,319	\$ 39	\$ 6	\$ 90	\$ —	\$ 7,776
Balance at December 31, 2014	\$ 3,749	\$ 2,544	\$ 84	\$ 59	\$ 9	\$ 169	\$ —	\$ 6,614
Charge-offs	(130)	(83)	—	—	—	(58)	—	(271)
Recoveries	294	39	—	—	—	—	—	333
Provision for loan losses	(864)	773	1,235	(20)	(3)	(21)	—	1,100
Balance at September 30, 2015	\$ 3,049	\$ 3,273	\$ 1,319	\$ 39	\$ 6	\$ 90	\$ —	\$ 7,776
Balance at June 30, 2014	\$ 1,650	\$ 3,943	\$ 62	\$ 35	\$ 6	\$ 122	\$ —	\$ 5,818
Charge-offs	(6)	(167)	—	—	—	(1)	—	(174)
Recoveries	151	29	—	—	—	13	—	193
Provision for loan losses	225	400	19	14	3	9	—	670
Balance at September 30, 2014	\$ 2,020	\$ 4,205	\$ 81	\$ 49	\$ 9	\$ 143	\$ —	\$ 6,507
Balance at December 31, 2013	\$ 1,396	\$ 3,988	\$ 55	\$ 22	\$ 9	\$ 90	\$ —	\$ 5,560
Charge-offs	(671)	(1,027)	—	—	—	(16)	—	(1,714)
Recoveries	602	638	—	—	—	27	—	1,267
Provision for loan losses	693	606	26	27	—	42	—	1,394
Balance at September 30, 2014	\$ 2,020	\$ 4,205	\$ 81	\$ 49	\$ 9	\$ 143	\$ —	\$ 6,507
Allowance on loans evaluated for impairment:								
Individually	\$ 49	\$ 233	\$ 1,268	\$ —	\$ —	\$ —	\$ —	\$ 1,550
Collectively	3,000	3,040	51	39	6	90	—	6,226
Balance at September 30, 2015	\$ 3,049	\$ 3,273	\$ 1,319	\$ 39	\$ 6	\$ 90	\$ —	\$ 7,776
Individually	\$ 1,335	\$ 107	\$ —	\$ —	\$ —	\$ 61	\$ —	\$ 1,503
Collectively	2,414	2,437	84	59	9	108	—	5,111
Balance at December 31, 2014	\$ 3,749	\$ 2,544	\$ 84	\$ 59	\$ 9	\$ 169	\$ —	\$ 6,614
Recorded investment in loans evaluated for impairment:								
Individually	\$ 6,506	\$ 8,332	\$ 7,385	\$ —	\$ —	\$ 620	\$ —	\$ 22,843
Collectively	710,480	576,498	25,233	6,407	1,910	50,759	222	1,371,509
Balance at September 30, 2015	\$ 716,986	\$ 584,830	\$ 32,618	\$ 6,407	\$ 1,910	\$ 51,379	\$ 222	\$ 1,394,352
Individually	\$ 13,096	\$ 6,911	\$ 572	\$ —	\$ —	\$ 506	\$ —	\$ 21,085
Collectively	682,274	589,717	26,947	8,789	2,119	54,376	—	1,364,222
Balance at December 31, 2014	\$ 695,370	\$ 596,628	\$ 27,519	\$ 8,789	\$ 2,119	\$ 54,882	\$ —	\$ 1,385,307

*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. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented.

Outstanding Recorded Investment	Three months ended September 30, 2015				
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ —	\$ 333	\$ —	\$ 333	
Production and intermediate-term	—	114	—	114	
Total	\$ —	\$ 447	\$ —	\$ 447	
Post-modification:					
Real estate mortgage	\$ —	\$ 246	\$ —	\$ 246	\$ —
Production and intermediate-term	—	114	—	114	—
Total	\$ —	\$ 360	\$ —	\$ 360	\$ —

Nine months ended September 30, 2015					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ -	\$ 333	\$ -	\$ 333	
Production and intermediate-term	-	114	-	114	
Total	\$ -	\$ 447	\$ -	\$ 447	
Post-modification:					
Real estate mortgage	\$ -	\$ 246	\$ -	\$ 246	\$ -
Production and intermediate-term	-	114	-	114	-
Total	\$ -	\$ 360	\$ -	\$ 360	\$ -

Three months ended September 30, 2014					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ 619	\$ -	\$ -	\$ 619	
Production and intermediate-term	-	392	-	392	
Total	\$ 619	\$ 392	\$ -	\$ 1,011	
Post-modification:					
Real estate mortgage	\$ 628	\$ -	\$ -	\$ 628	\$ -
Production and intermediate-term	-	392	-	392	-
Total	\$ 628	\$ 392	\$ -	\$ 1,020	\$ -

Nine months ended September 30, 2014					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ 1,348	\$ 697	\$ -	\$ 2,045	
Production and intermediate-term	-	2,492	-	2,492	
Rural residential real estate	-	117	-	117	
Total	\$ 1,348	\$ 3,306	\$ -	\$ 4,654	
Post-modification:					
Real estate mortgage	\$ 1,343	\$ 700	\$ -	\$ 2,043	\$ -
Production and intermediate-term	-	2,491	-	2,491	-
Rural residential real estate	-	100	-	100	-
Total	\$ 1,343	\$ 3,291	\$ -	\$ 4,634	\$ -

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 the 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	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Real estate mortgage	\$ 2,865	\$ 9,888	\$ 1,147	\$ 8,146
Production and intermediate-term	1,028	2,661	525	1,486
Farm-related business	7,385	572	6,854	-
Rural residential real estate	112	210	-	92
Total Loans	\$ 11,390	\$ 13,331	\$ 8,526	\$ 9,724
Additional commitments to lend	\$ -	\$ 19		

The following table presents information as of period end:

	September 30, 2015
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	\$ 65
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	\$ 466

Note 3 — Investments

Investment Securities

The Association's held-to-maturity investments consist primarily 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 risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. At September 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:

September 30, 2015					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 1,890	\$ -	\$ (88)	\$ 1,802	4.99%

December 31, 2014					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 2,099	\$ 6	\$ (122)	\$ 1,983	4.99%

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

September 30, 2015			
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	\$ -	\$ -	-%
After one year through five years	34	34	4.25
After five years through ten years	-	-	-
After ten years	1,856	1,768	5.01
Total	\$ 1,890	\$ 1,802	4.99%

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.

September 30, 2015			
	Less than 12 Months	12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value
RABs	\$ -	\$ -	\$ 1,802
			\$ (88)

December 31, 2014			
	Less than 12 Months	12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value
RABs	\$ 44	\$ (1)	\$ 1,795
			\$ (121)

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 6.03 percent of the issued

stock of the Bank as of September 30, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled \$30.0 billion and shareholders' equity totaled \$2.4 billion. The Bank's earnings were \$254 million for the first nine months of 2015. In addition, the Association has an investment of \$472 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 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component (a)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee Benefit Plans:				
Balance at beginning of period	\$ (1,289)	\$ (340)	\$ (1,329)	\$ (432)
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from AOCI	20	47	60	139
Net current period other comprehensive income	20	47	60	139
Balance at end of period	\$ (1,269)	\$ (293)	\$ (1,269)	\$ (293)

	Reclassifications Out of Accumulated Other Comprehensive Income (b)				Income Statement Line Item
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Defined Benefit Pension Plans:					
Periodic pension costs	\$ (20)	\$ (47)	\$ (60)	\$ (139)	See Note 7.
Net amounts reclassified	\$ (20)	\$ (47)	\$ (60)	\$ (139)	

(a) Amounts in parentheses indicate debits to AOCI.

(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — 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.

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 2 or 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 Nine Months Ended September 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	\$ 2,927	\$ 2,927	\$ -	\$ -	\$ 2,927	
Recurring Assets	\$ 2,927	\$ 2,927	\$ -	\$ -	\$ 2,927	
Liabilities:						
Recurring Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	
Nonrecurring Measurements						
Assets:						
Impaired loans	\$ 21,293	\$ -	\$ -	\$ 21,293	\$ 21,293	\$ 16
Other property owned	992	-	-	1,066	1,066	(654)
Nonrecurring Assets	\$ 22,285	\$ -	\$ -	\$ 22,359	\$ 22,359	\$ (638)
Other Financial Instruments						
Assets:						
Cash	\$ 2,865	\$ 2,865	\$ -	\$ -	\$ 2,865	
Investment securities, held-to-maturity	1,890	-	-	1,802	1,802	
Loans	1,351,788	-	-	1,359,509	1,359,509	
Other Financial Assets	\$ 1,356,543	\$ 2,865	\$ -	\$ 1,361,311	\$ 1,364,176	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	\$ 1,103,358	\$ -	\$ -	\$ 1,100,716	\$ 1,100,716	
Other Financial Liabilities	\$ 1,103,358	\$ -	\$ -	\$ 1,100,716	\$ 1,100,716	

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:						
Assets held in Trust funds	\$ 3,094	\$ 3,094	\$ -	\$ -	\$ 3,094	
Recurring Assets	\$ 3,094	\$ 3,094	\$ -	\$ -	\$ 3,094	
Liabilities:						
Recurring Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	
Nonrecurring Measurements						
Assets:						
Impaired loans	\$ 19,582	\$ -	\$ -	\$ 19,582	\$ 19,582	\$ (1,056)
Other property owned	2,892	-	-	3,070	3,070	(1,475)
Nonrecurring Assets	\$ 22,474	\$ -	\$ -	\$ 22,652	\$ 22,652	\$ (2,531)
Other Financial Instruments						
Assets:						
Cash	\$ 2,913	\$ 2,913	\$ -	\$ -	\$ 2,913	
Investment securities, held-to-maturity	2,099	-	-	1,983	1,983	
Loans	1,348,468	-	-	1,360,464	1,360,464	
Other Financial Assets	\$ 1,353,480	\$ 2,913	\$ -	\$ 1,362,447	\$ 1,365,360	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	\$ 1,128,326	\$ -	\$ -	\$ 1,119,937	\$ 1,119,937	
Other Financial Liabilities	\$ 1,128,326	\$ -	\$ -	\$ 1,119,937	\$ 1,119,937	

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 below. 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	\$ 22,359	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			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/Principle and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecast
		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 7 — Employee Benefit Plans

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Pension	\$ 1,499	\$ 1,519	\$ 4,496	\$ 4,555
401(k)	178	120	441	369
Other postretirement benefits	467	280	1,402	840
Total	\$ 2,144	\$ 1,919	\$ 6,339	\$ 5,764

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

	Actual YTD Through 9/30/15	Projected Contributions For Remainder of 2015	Projected Total Contributions 2015
Pension	\$ 100	\$ 5,921	\$ 6,021
Other postretirement benefits	586	198	784
Total	\$ 686	\$ 6,119	\$ 6,805

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 8 — 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 that 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 9 — Subsequent Events

The Association evaluated subsequent events and determined that, except as described below, there were none requiring disclosure through November 6, 2015, which was the date the financial statements were issued.

On October 19, 2015, AgFirst's Board of Directors declared a special patronage distribution to be paid on January 1, 2016. The Association will receive approximately \$7,219 which will be recorded in October 2015 as patronage refunds from other Farm Credit institutions.