*Ag***Choice** *Farm Credit, ACA*

SECOND QUARTER 2015

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2015 quarterly report of *Ag***Choice** 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.

Darrell L. Curtis
Chief Executive Officer

Mark F. Kerstetter
Chief Financial Officer

Dennis B. Spangler
Chairman of the Board

August 7, 2015

*Ag***Choice** *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 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 weaknesses in the internal control over financial reporting as of June 30, 2015.

Darrell L. Curtis

Darrell L. Curtis
Chief Executive Officer

Mark F. Kerstetter

Mark F. Kerstetter
Chief Financial Officer

August 7, 2015

*Ag***Choice** ***Farm Credit, ACA***

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 *Ag***Choice** Farm Credit ACA, (Association) for the period ended June 30, 2015. These comments should be read in conjunction with the accompanying financial statements, notes to the 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. Information in any part of this Quarterly Report may be incorporated by reference in answer or partial answer to any other item of the Quarterly Report.

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, including dairy, livestock, poultry, forest products, and various crops, and also includes part-time farm 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, impacts the level of dependency on a given commodity.

Loans as of June 30, 2015, were $1,588,935, an increase of $12,664 as compared to $1,576,271 at December 31, 2014. Net loans outstanding at June 30, 2015, were $1,578,841 as compared to $1,565,661 at December 31, 2014. Net loans accounted for 97.1 percent of total assets at June 30, 2015, as compared to 95.8 percent of total assets at December 31, 2014. The increase in both loans and net loans primarily resulted from increased volume in our local servicing area.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. Nonaccrual volume decreased from $27,655 at December 31, 2014, to $18,429 at June 30, 2015, mainly due to one large transfer to accruing status, one large payoff and several large payments. The Association continues efforts to work out of nonaccrual accounts or to assist such operations to return to accrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses was $10,094 and $10,610 at June 30, 2015 and December 31, 2014, respectively. These reserves were considered by management to be adequate to cover possible losses. As a further means to reduce credit risk, as of June 30, 2015, the Association had loans amounting to $11,125 under a long-term standby commitment from Farmer Mac to purchase these loans in the event of loan defaults.

RESULTS OF OPERATIONS

For the three months ended June 30, 2015

Net income for the three months ended June 30, 2015, totaled $8,109, an increase of $845 compared to $7,264 for the same period in 2014. This increase resulted primarily from a reversal of allowance for loan losses in 2015 as compared to a provision for allowance for loan losses in 2014 offset by lower noninterest income.

Net interest income increased by $1 for the three months ended June 30, 2015 compared to the same period in 2014. This increase resulted from an increase of $43 in interest income on nonaccruing loans and an increase of $630 in interest income on accruing loans and investment securities, offset by an increase of $672 in interest expense.

The reversal of allowance for loan losses was $344 in the second quarter of 2015 as compared to a provision of $663 in the same period for 2014, largely due to decreases in specific reserves in 2015 as compared to increases in specific reserves in 2014.

Noninterest income for the three months ended June 30, 2015 decreased by $32 to $3,754, compared to $3,786 for the same period of 2014. This decrease resulted primarily from a reduction in patronage on participations sold, offset by higher Business Management Services (BMS) and Farm Credit Settlement Services (FCSS) revenue.

Noninterest expense for the three months ended June 30, 2015, increased $174, compared to the same period of 2014. This increase is due to by higher personnel and participations purchased servicing costs offset by lower director and nonaccrual expenses.

The provision for income taxes was $72 and $115 for the second quarters of 2015 and 2014, respectively.

For the six months ended June 30, 2015

Net income for the six months ended June 30, 2015, totaled $15,291, as compared to $16,595 for the same period in 2014. Net interest income decreased $273 for the six months ended June 30, 2015, as compared to the same period one year ago.

For the six months ended June 30, 2015, interest income on accruing loans and investment securities increased $1,320 compared to a year ago. Nonaccrual interest income was $499 for the six months ended June 30, 2015, as compared to $710 for the same period in 2014. Interest expense increased $1,382 for the six months ended June 30, 2015, as compared to the comparable period of 2014. The increase in interest income on accruing loans and interest expense is primarily related to an increase in loan volume.

Increases in general reserves and a large charge-off of a participation loan offset by a decrease in specific reserves resulted in a $41 provision for loan losses in the first half of 2015.

Noninterest income for the six months ended June 30, 2015, totaled $7,263, as compared to $7,706 for the same period of 2014, a decrease of $443. This decrease resulted primarily from the following factors: a $197 reduction in the reserve for unfunded commitment in 2014 that did not repeat in 2015, a decrease of $134 in fees on participations purchased, a decrease of $346 in patronage on participations sold due to a decline in volume and a decrease of $68 on the gain on sale of vehicles, offset by higher late fees of $26, an increase of $91 in BMS revenue and an increase of $190 in general patronage due to loan volume growth.

Noninterest expense for the six months ended June 30, 2015, increased $222, compared to the same period of 2014. This increase was primarily due to higher personnel, cost of space, public and member relations, furniture & equipment and Farm Credit System Insurance Corporation (FCSIC) expense offset by lower directors, purchased services, training, data processing, advertising and other expense.

The provision for income taxes was $145 for the six months ended June 30, 2015 as compared to $175 in the same period last year.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank 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 Bank advances funds 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 June 30, 2015, was $1,280,454 as compared to $1,283,873 at December 31, 2014. This decrease resulted from the receipt of the 2014 Equity in earnings of other Farm Credit institutions and cash generated from Association year-to-date 2015 earnings, offset by modest loan volume growth and spring patronage payments to stockholders.

CAPITAL RESOURCES

Total members' equity at June 30, 2015 increased by $15,192 to $329,733 from the December 31, 2014 total of $314,541. The increase is primarily attributed to year-to-date 2015 net income.

Total capital stock and participation certificates were $10,941 on June 30, 2015, compared to $10,948 on December 31, 2014.

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 June 30, 2015, the Association's permanent capital and total surplus ratios were 18.20 percent and 17.55 percent, respectively, and the core surplus ratio was 17.22 percent. All three ratios were well above the minimum regulatory requirements of 7.00 percent for the 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 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 1-800-349-3568 or writing ***Ag*****Choice** Farm Credit, ACA, 900 Bent Creek Blvd., Mechanicsburg, PA, 17050, or accessing the website *www.agchoice.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.

Ag **Choice** Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)		June 30, 2015		December 31, 2014
		(unaudited)		*(audited)*
Assets				
Cash	**$**	**294**	$	82
Investment securities:				
Held to maturity (fair value of $2,347 and $2,446, respectively)		**2,277**		2,311
Loans		**1,588,935**		1,576,271
Allowance for loan losses		**(10,094)**		(10,610)
Net loans		**1,578,841**		1,565,661
Loans held for sale		**—**		306
Accrued interest receivable		**6,926**		5,296
Investments in other Farm Credit institutions		**21,357**		21,752
Premises and equipment, net		**6,923**		6,812
Other property owned		**556**		169
Accounts receivable		**6,097**		27,633
Other assets		**3,112**		4,293
Total assets	**$**	**1,626,383**	$	1,634,315
Liabilities				
Notes payable to AgFirst Farm Credit Bank	**$**	**1,280,454**	$	1,283,416
Accrued interest payable		**2,419**		2,354
Patronage refunds payable		**598**		17,469
Accounts payable		**2,554**		4,290
Other liabilities		**10,625**		12,245
Total liabilities		**1,296,650**		1,319,774
Commitments and contingencies (Note 8)				
Members' Equity				
Capital stock and participation certificates		**10,941**		10,948
Surplus				
Allocated		**166,836**		164,844
Unallocated		**152,016**		138,810
Accumulated other comprehensive income (loss)		**(60)**		(61)
Total members' equity		**329,733**		314,541
Total liabilities and members' equity	**$**	**1,626,383**	$	1,634,315

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

Ag **Choice** Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Interest Income				
Loans	**$ 18,043**	$ 17,369	**$ 36,012**	$ 34,902
Investments	**36**	37	**72**	73
Total interest income	**18,079**	17,406	**36,084**	34,975
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**7,197**	6,525	**14,205**	12,823
Net interest income	**10,882**	10,881	**21,879**	22,152
Provision for (reversal of allowance for) loan losses	**(344)**	663	**41**	(355)
Net interest income after provision for (reversal of allowance for) loan losses	**11,226**	10,218	**21,838**	22,507
Noninterest Income				
Loan fees	**423**	403	**599**	715
Fees for financially related services	**393**	297	**654**	595
Patronage refunds from other Farm Credit institutions	**2,850**	3,001	**5,743**	5,899
Gains (losses) on sales of rural home loans, net	**16**	16	**30**	23
Gains (losses) on sales of premises and equipment, net	**44**	49	**60**	121
Gains (losses) on other transactions	**4**	(3)	**18**	214
Other noninterest income	**24**	23	**159**	139
Total noninterest income	**3,754**	3,786	**7,263**	7,706
Noninterest Expense				
Salaries and employee benefits	**4,467**	4,153	**9,168**	8,675
Occupancy and equipment	**282**	252	**571**	512
Insurance Fund premiums	**396**	352	**784**	695
(Gains) losses on other property owned, net	**(91)**	(15)	**(80)**	2
Other operating expenses	**1,745**	1,883	**3,222**	3,559
Total noninterest expense	**6,799**	6,625	**13,665**	13,443
Income before income taxes	**8,181**	7,379	**15,436**	16,770
Provision for income taxes	**72**	115	**145**	175
Net income	**$ 8,109**	$ 7,264	**$ 15,291**	$ 16,595

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

Ag **Choice** Farm Credit, ACA

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
Net income	**$ 8,109**	$ 7,264	**$ 15,291**	$ 16,595
Other comprehensive income net of tax				
Employee benefit plans adjustments	**1**	—	**1**	—
Comprehensive income	**$ 8,110**	$ 7,264	**$ 15,292**	$ 16,595

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

Ag **Choice** Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Surplus: Allocated	Surplus: Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 10,878	$ 152,204	$ 127,685	$ (25)	$ 290,742
Comprehensive income			16,595		16,595
Capital stock/participation certificates issued/(retired), net	(32)				(32)
Dividends declared/paid	9		(9)		—
Surplus retired		(11)			(11)
Patronage distribution adjustment		250	(250)		—
Balance at June 30, 2014	$ 10,855	$ 152,443	$ 144,021	$ (25)	$ 307,294
Balance at December 31, 2014	**$ 10,948**	**$ 164,844**	**$ 138,810**	**$ (61)**	**$ 314,541**
Comprehensive income			**15,291**	**1**	**15,292**
Capital stock/participation certificates issued/(retired), net	**(15)**				**(15)**
Dividends declared/paid	**8**		**(8)**		**—**
Surplus retired		**(78)**			**(78)**
Patronage distribution adjustment		**2,070**	**(2,077)**		**(7)**
Balance at June 30, 2015	**$ 10,941**	**$ 166,836**	**$ 152,016**	**$ (60)**	**$ 329,733**

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

*Ag***Choice** *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 *Ag***Choice** Farm Credit, ACA (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 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:

- 2015-10 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	$ 714,647	$ 700,689
Production and intermediate-term	580,879	580,145
Loans to cooperatives	30,997	29,228
Processing and marketing	109,148	106,155
Farm-related business	36,408	33,831
Communication	63,791	68,944
Energy and water/waste disposal	15,393	19,350
Rural residential real estate	21,042	22,100
International	14,137	11,993
Lease receivables	839	992
Other (including Mission Related)	1,654	2,844
Total loans	$ 1,588,935	$ 1,576,271

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	$ 1,285	$ 46,586	$ 9,893	$ –	$ –	$ –	$ 11,178	$ 46,586
Production and intermediate-term	28,239	29,900	65,601	5,514	8,215	–	102,055	35,414
Loans to cooperatives	–	–	30,996	–	–	–	30,996	–
Processing and marketing	26,737	–	39,364	–	40,572	–	106,673	–
Farm-related business	8,869	–	–	–	1,721	–	10,590	–
Communication	1,639	–	62,312	–	–	–	63,951	–
Energy and water/waste disposal	3,813	–	11,612	–	–	–	15,425	–
Rural residential real estate	–	578	–	–	–	–	–	578
Lease receivables	–	–	839	–	–	–	839	–
International	2,152	–	12,000	–	–	–	14,152	–
Total	$ 72,734	$ 77,064	$ 232,617	$ 5,514	$ 50,508	$ –	$ 355,859	$ 82,578

	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	$ 608	$ 49,956	$ 10,222	$ –	$ –	$ –	$ 10,830	$ 49,956
Production and intermediate-term	30,826	40,106	64,577	1,514	8,258	–	103,661	41,620
Loans to cooperatives	–	–	29,164	–	–	–	29,164	–
Processing and marketing	31,474	419	41,399	–	31,413	–	104,286	419
Farm-related business	8,870	250	–	–	–	–	8,870	250
Communication	–	–	69,080	–	–	–	69,080	–
Energy and water/waste disposal	3,865	–	15,521	–	–	–	19,386	–
Rural residential real estate	–	589	–	–	–	–	–	589
International	–	–	11,983	–	–	–	11,983	–
Lease receivables	–	–	992	–	–	–	992	–
Total	$ 75,643	$ 91,320	$ 242,938	$ 1,514	$ 39,671	$ –	$ 358,252	$ 92,834

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	$ 14,160	$ 154,269	$ 546,218	$ 714,647
Production and intermediate-term	95,311	325,742	159,826	580,879
Loans to cooperatives	–	25,986	5,011	30,997
Processing and marketing	5,225	58,182	45,741	109,148
Farm-related business	6,825	23,542	6,041	36,408
Communication	–	56,531	7,260	63,791
Energy and water/waste disposal	117	5,833	9,443	15,393
Rural residential real estate	302	3,206	17,534	21,042
International	–	12,139	1,998	14,137
Lease receivables	17	822	–	839
Other (including Mission Related)	380	1,054	220	1,654
Total Loans	$ 122,337	$ 667,306	$ 799,292	$ 1,588,935
Percentage	7.83%	41.94%	50.23%	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	96.50%	96.29%
OAEM	1.25	1.40
Substandard/doubtful/loss	2.25	2.31
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	95.86%	95.43%
OAEM	2.18	2.03
Substandard/doubtful/loss	1.96	2.54
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	95.41%	95.23%
OAEM	0.25	0.40
Substandard/doubtful/loss	4.34	4.37
	100.00%	100.00%
Farm-related business:		
Acceptable	99.27%	98.36%
OAEM	0.73	0.86
Substandard/doubtful/loss	–	0.78
	100.00%	100.00%
Communication:		
Acceptable	95.65%	96.47%
OAEM	4.35	3.53
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	June 30, 2015	December 31, 2014
Energy and water/waste disposal:		
Acceptable	99.87%	92.77%
OAEM	–	–
Substandard/doubtful/loss	0.13	7.23
	100.00%	100.00%
Rural residential real estate:		
Acceptable	92.34%	91.72%
OAEM	2.97	2.73
Substandard/doubtful/loss	4.69	5.55
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Lease receivables:		
Acceptable	82.85%	83.73%
OAEM	14.29	13.21
Substandard/doubtful/loss	2.86	3.06
	100.00%	100.00%
Other (including Mission Related)		
Acceptable	10.95%	7.51%
OAEM	–	–
Substandard/doubtful/loss	89.05	92.49
	100.00%	100.00%
Total loans:		
Acceptable	96.20%	95.77%
OAEM	1.62	1.62
Substandard/doubtful/loss	2.18	2.61
	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 and Accrued Interest	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,524	$ 540	$ 2,064	$ 716,400	$ 718,464	$ –
Production and intermediate-term	1,960	3,691	5,651	577,644	583,295	–
Loans to cooperatives	–	–	–	31,018	31,018	–
Processing and marketing	–	–	–	109,443	109,443	–
Farm-related business	–	–	–	36,536	36,536	–
Communication	–	–	–	63,835	63,835	–
Energy and water/waste disposal	–	–	–	15,407	15,407	–
Rural residential real estate	199	4	203	20,935	21,138	–
International	–	–	–	14,216	14,216	–
Lease receivables	–	12	12	831	843	–
Other (including Mission Related)	–	687	687	967	1,654	–
Total	$ 3,683	$ 4,934	$ 8,617	$ 1,587,232	$ 1,595,849	$ –

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 and Accrued Interest	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 3,499	$ 453	$ 3,952	$ 699,375	$ 703,327	$ –
Production and intermediate-term	3,208	7,476	10,684	571,525	582,209	–
Loans to cooperatives	–	–	–	29,260	29,260	–
Processing and marketing	–	–	–	106,393	106,393	–
Farm-related business	–	–	–	33,897	33,897	–
Communication	–	–	–	69,000	69,000	–
Energy and water/waste disposal	–	–	–	19,381	19,381	–
Rural residential real estate	329	73	402	21,771	22,173	–
International	–	–	–	12,072	12,072	–
Lease receivables	–	15	15	983	998	–
Other (including Mission Related)	–	2,631	2,631	214	2,845	–
Total	$ 7,036	$ 10,648	$ 17,684	$ 1,563,871	$ 1,581,555	$ –

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	$ 8,074	$ 9,116
Production and intermediate-term	8,825	14,395
Processing and marketing	25	30
Energy and water/waste disposal	21	1,400
Rural residential real estate	13	85
Lease receivables	12	15
Other (including Mission Related)	1,459	2,614
Total	$ 18,429	$ 27,655
Accruing restructured loans:		
Real estate mortgage	$ 2,178	$ 2,481
Production and intermediate-term	5,514	5,518
Total	$ 7,692	$ 7,999
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 26,121	$ 35,654
Other property owned	556	169
Total nonperforming assets	$ 26,677	$ 35,823
Nonaccrual loans as a percentage of total loans	1.16%	1.75%
Nonperforming assets as a percentage of total loans and other property owned	1.68%	2.27%
Nonperforming assets as a percentage of capital	8.09%	11.39%

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	$ 12,367	$ 14,303
Past due	6,062	13,352
Total	18,429	27,655
Impaired accrual loans:		
Restructured	7,692	7,999
90 days or more past due	–	–
Total	7,692	7,999
Total impaired loans	$ 26,121	$ 35,654

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:							
Real estate mortgage	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	2,887	4,229	1,122	3,396	–	3,642	–
Processing and marketing	–	–	–	–	–	–	–
Energy and water/waste disposal	19	–	19	23	–	24	–
Rural residential real estate	–	–	–	–	–	–	–
Lease receivables	–	–	–	–	–	–	–
Other (including Mission Related)	–	–	–	–	–	–	–
Total	$ 2,906	$ 4,229	$ 1,141	$ 3,419	$ –	$ 3,666	$ –
With no related allowance for credit losses:							
Real estate mortgage	$ 10,252	$ 11,249	$ –	$ 12,062	$ 122	$ 12,935	312
Production and intermediate-term	11,452	16,505	–	13,474	82	14,449	184
Processing and marketing	25	22	–	29	1	32	1
Energy and water/waste disposal	2	–	–	2	–	2	–
Rural residential real estate	13	181	–	16	–	17	2
Lease receivables	12	66	–	14	1	14	–
Other (including Mission Related)	1,459	2,177	–	1,717	–	1,841	–
Total	$ 23,215	$ 30,200	$ –	$ 27,314	$ 206	$ 29,290	$ 499
Total:							
Real estate mortgage	$ 10,252	$ 11,249	$ –	$ 12,062	$ 122	$ 12,935	$ 312
Production and intermediate-term	14,339	20,734	1,122	16,870	82	18,091	184
Processing and marketing	25	22	–	29	1	32	1
Energy and water/waste disposal	21	–	19	25	–	26	–
Rural residential real estate	13	181	–	16	–	17	–
Lease receivables	12	66	–	14	1	14	2
Other (including Mission Related)	1,459	2,177	–	1,717	–	1,841	–
Total	$ 26,121	$ 34,429	$ 1,141	$ 30,733	$ 206	$ 32,956	$ 499

	December 31, 2014			Year Ended December 31, 2014	
Impaired loans	**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	$ 1	$ –	$ –	$ –	$ –
Production and intermediate-term	5,668	7,279	1,924	7,571	–
Energy and water/waste disposal	1,400	1,426	805	535	–
Total	$ 7,069	$ 8,705	$ 2,729	$ 8,106	$ –
With no related allowance for credit losses:					
Real estate mortgage	$ 11,596	$ 12,685	$ –	$ 10,351	$ 811
Production and intermediate-term	14,245	16,628	–	11,540	328
Processing and marketing	30	27	–	34	1
Energy and water/waste disposal	–	–	–	–	–
Rural residential real estate	85	184	–	177	–
Lease receivables	15	69	–	66	–
Other (including Mission Related)	2,614	3,313	–	3,328	–
Total	$ 28,585	$ 32,906	$ –	$ 25,496	$ 1,140
Total:					
Real estate mortgage	$ 11,597	$ 12,685	$ –	$ 10,351	$ 811
Production and intermediate-term	19,913	23,907	1,924	19,111	328
Processing and marketing	30	27	–	34	1
Energy and water/waste disposal	1,400	1,426	805	535	–
Rural residential real estate	85	184	–	177	–
Lease receivables	15	69	–	66	–
Other (including Mission Related)	2,614	3,313	–	3,328	–
Total	$ 35,654	$ 41,611	$ 2,729	$ 33,602	$ 1,140

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 for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Lease receivables	Other (Including Mission Related)	Total
Activity related to the allowance for credit losses:										
Balance at March 31, 2015	$ 1,249	$ 5,412	$ 2,331	$ 594	$ 1,001	$ 319	$ 18	$ 46	$ 2	$ 10,972
Charge-offs	–	(56)	–	–	(413)	(65)	–	–	–	(534)
Recoveries	–	–	–	–	–	–	–	–	–	–
Provision for loan losses	343	667	(1,092)	149	(329)	(96)	9	5	–	(344)
Balance at June 30, 2015	$ 1,592	$ 6,023	$ 1,239	$ 743	$ 259	$ 158	$ 27	$ 51	$ 2	$ 10,094
Balance at December 31, 2014	$ 1,481	$ 5,807	$ 1,227	$ 560	$ 1,022	$ 431	$ 21	$ 59	$ 2	$ 10,610
Charge-offs	(26)	(56)	–	–	(413)	(65)	–	–	–	(560)
Recoveries	3	–	–	–	–	–	–	–	–	3
Provision for loan losses	134	272	12	183	(350)	(208)	6	(8)	–	41
Balance at June 30, 2015	$ 1,592	$ 6,023	$ 1,239	$ 743	$ 259	$ 158	$ 27	$ 51	$ 2	$ 10,094
Balance at March 31, 2014	$ 1,392	$ 6,515	$ 1,290	$ 267	$ 760	$ 385	$ 18	$ 64	$ –	$ 10,691
Charge-offs	(1)	(98)	–	–	–	–	–	–	–	(99)
Recoveries	11	–	–	–	–	–	–	–	–	11
Provision for loan losses	152	449	(212)	98	–	23	1	(2)	154	663
Balance at June 30, 2014	$ 1,554	$ 6,866	$ 1,078	$ 365	$ 760	$ 408	$ 19	$ 62	$ 154	$ 11,266
Balance at December 31, 2013	$ 1,546	$ 7,304	$ 1,206	$ 282	$ 563	$ 414	$ 19	$ 74	$ 300	$ 11,708
Charge-offs	(1)	(98)	–	–	–	–	–	–	–	(99)
Recoveries	11	–	–	–	–	1	–	–	–	12
Provision for loan losses	(2)	(340)	(128)	83	197	(7)	–	(12)	(146)	(355)
Balance at June 30, 2014	$ 1,554	$ 6,866	$ 1,078	$ 365	$ 760	$ 408	$ 19	$ 62	$ 154	$ 11,266
Allowance on loans evaluated for impairment:										
Individually	$ –	$ 1,122	$ –	$ –	$ 19	$ –	$ –	$ –	$ –	$ 1,141
Collectively	1,592	4,901	1,239	743	239	158	28	51	2	8,953
Balance at June 30, 2015	$ 1,592	$ 6,023	$ 1,239	$ 743	$ 258	$ 158	$ 28	$ 51	$ 2	$ 10,094
Individually	$ –	$ 1,924	$ –	$ –	$ 805	$ –	$ –	$ –	$ –	$ 2,729
Collectively	1,480	3,884	1,227	560	217	431	21	59	2	7,881
Balance at December 31, 2014	$ 1,480	$ 5,808	$ 1,227	$ 560	$ 1,022	$ 431	$ 21	$ 59	$ 2	$ 10,610
Recorded investment in loans evaluated for impairment:										
Individually	$ 5,679	$ 6,815	$ –	$ –	$ 19	$ –	$ –	$ –	$ 1,474	$ 13,987
Collectively	712,786	576,480	176,997	63,835	15,388	21,138	14,215	842	181	1,581,862
Balance at June 30, 2015	$ 718,465	$ 583,295	$ 176,997	$ 63,835	$ 15,407	$ 21,138	$ 14,215	$ 842	$ 1,655	$ 1,595,849
Individually	$ 7,246	$ 12,977	$ –	$ –	$ 1,400	$ –	$ –	$ –	$ 2,631	$ 24,254
Collectively	696,081	569,232	169,550	69,000	17,981	22,173	12,072	998	214	1,557,301
Balance at December 31, 2014	$ 703,327	$ 582,209	$ 169,550	$ 69,000	$ 19,381	$ 22,173	$ 12,072	$ 998	$ 2,845	$ 1,581,555

**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. There were no TDRs that occurred during the three months ended June 30, 2015 or 2014.

	Six Months Ended June 30, 2015				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Production and intermediate-term	$ 1,400	$ 185	$ –	$ 1,585	
Other (including Mission Related	–	–	1,000	1,000	
Total	$ 1,400	$ 185	$ 1,000	$ 2,585	
Post-modification:					
Production and intermediate-term	$ 1,400	$ 185	$ –	$ 1,585	$ –
Other (including Mission Related	–	–	1,000	1,000	–
Total	$ 1,400	$ 185	$ 1,000	$ 2,585	$ –

Outstanding Recorded Investment	Six Months Ended June 30, 2014 Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 173	$ –	$ 173	
Production and intermediate-term	–	178	–	178	
Total	$ –	$ 351	$ –	$ 351	
Post-modification:					
Real estate mortgage	$ –	$ 159	$ –	$ 159	$ –
Production and intermediate-term	–	164	–	164	–
Total	$ –	$ 323	$ –	$ 323	$ –

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.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Real estate mortgage	$ –	$ 268	$ –	$ 268
Production and intermediate-term	–	254	197	254
Rural residential real estate	–	66	–	66
Total	$ –	$ 588	$ 197	$ 588

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	$ 2,534	$ 2,965	$ 356	$ 484
Production and intermediate-term	8,564	11,803	3,050	6,285
Rural residential real estate	–	66	–	66
Other (including Mission Related	1,474	–	1,474	–
Total Loans	$ 12,572	$ 14,834	$ 4,880	$ 6,835
Additional commitments to lend	$ 380	$ 1,561		

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	$ 224
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ 48

Note 3 — Investments

Investment Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment program approved by 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 June 30, 2015, the Association held no RABs whose credit quality has 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	$ 2,277	$ 70	$ –	$ 2,347	6.23%

	December 31, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 2,311	$ 135	$ –	$ 2,446	6.23%

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	–	–	–
After ten years	2,277	2,347	6.23
Total	$ 2,277	$ 2,347	6.23%

All of these investments have 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. A continuous unrealized loss position for an investment is based on the date the impairment was first identified. The Association had no investments that have been in a continuous unrealized loss position at June 30, 2015 or December 31, 2014.

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 8.50 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 $132 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 June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Employee Benefit Plans:				
Balance at beginning of period	$ (61)	$ (25)	$ (61)	$ (25)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	1	–	1	–
Net current period other comprehensive income	1	–	1	–
Balance at end of period	$ (60)	$ (25)	$ (60)	$ (25)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$ (1)	$ –	$ (1)	$ –	See Note 7.
Net amounts reclassified	$ (1)	$ –	$ (1)	$ –	

(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. The Association has no Level 2 assets and liabilities measured at fair value.

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	$ 543	$ 543	$ –	$ –	$ 543	
Recurring Assets	$ 543	$ 543	$ –	$ –	$ 543	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 24,980	$ –	$ –	$ 24,980	$ 24,980	$ 1,032
Other property owned	556	–	–	650	650	(19)
Nonrecurring Assets	$ 25,536	$ –	$ –	$ 25,630	$ 25,630	$ 1,013
Other Financial Instruments						
Assets:						
Cash	$ 294	$ 294	$ –	$ –	$ 294	
Investment securities, held-to-maturity	2,277	–	–	2,347	2,347	
Loans	1,553,861	–	–	1,554,227	1,554,227	
Other Financial Assets	$ 1,556,432	$ 294	$ –	$ 1,556,574	$ 1,556,868	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,280,454	$ –	$ –	$ 1,272,745	$ 1,272,745	
Other Financial Liabilities	$ 1,280,454	$ –	$ –	$ 1,272,745	$ 1,272,745	

	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	$ 503	$ 503	$ –	$ –	$ 503	$
Recurring Assets	$ 503	$ 503	$ –	$ –	$ 503	$
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	$
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 32,925	$ –	$ –	$ 32,925	$ 32,925	$ 125
Other property owned	169	–	–	192	192	21
Nonrecurring Assets	$ 33,094	$ –	$ –	$ 33,117	$ 33,117	$ 146
Other Financial Instruments						
Assets:						
Cash	$ 82	$ 82	$ –	$ –	$ 82	$
Investment securities, held-to-maturity	2,311	–	–	2,446	2,446	
Loans	1,533,042	–	–	1,534,784	1,534,784	
Other Financial Assets	$ 1,535,435	$ 82	$ –	$ 1,537,230	$ 1,537,312	$
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,283,416	$ –	$ –	$ 1,276,148	$ 1,276,148	$
Other Financial Liabilities	$ 1,283,416	$ –	$ –	$ 1,276,148	$ 1,276,148	$

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	$ 25,630	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/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 7 — Employee Benefit Plans

The following table summarizes retirement and other postretirement benefit expenses for the Association:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Pension	$ 781	$ 816	$ 1,562	$ 1,632
401(k)	202	128	381	260
Other postretirement benefits	217	133	435	266
Total	$ 1,200	$ 1,077	$ 2,378	$ 2,158

The following table summarizes 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	$ 10	$ 3,195	$ 3,205
Other postretirement benefits	207	211	418
Total	$ 217	$ 3,406	$ 3,623

Contributions in the table above 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 there were none requiring disclosure through August 7, 2015, which was the date the financial statements were issued.