Farm Credit of Northwest Florida, ACA

SECOND QUARTER 2015

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2015 quarterly report of Farm Credit of Northwest Florida, 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.

Ricky K. Bitner
Ricky K. Bitner
Chief Executive Officer

John P. Mottice
Chief Financial Officer

Richard Terry
Richard Terry
Chairman of the Board

August 7, 2015

Farm Credit of Northwest Florida, 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.

Ricky K. Bitner

Ricky K. Bitner
Chief Executive Officer

John P. Mottice
Chief Financial Officer

August 7, 2015

Farm Credit of Northwest Florida, 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 Farm Credit of Northwest Florida, ACA (the Association) for the period ending June 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.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for the 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 forestry, row crops, livestock, peanuts, horticulture, dairies and rural homes. 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, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of June 30, 2015, was $272,870, an increase of $8,697 or 3.29 percent as compared to $264,173 at December 31, 2014. Net loans outstanding, gross loans net of the allowance for loan losses, at June 30, 2015, were $267,882 as compared to $259,511 at December 31, 2014, an increase of $8,371 or 3.23 percent. Net loans accounted for 94.92 percent of total assets at June 30, 2015 as compared to 93.83 percent of total assets at December 31, 2014. The growth in loan volume was due to increases in originated accruing loans and, to a lesser extent, purchased participation loans.

Portfolio credit quality has improved due to management efforts to work through problem loans and the general improvement in the overall economic environment. Loans classified under the Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" were 91.65 percent of total loans and accrued interest at June 30, 2015 as compared to 90.71 percent at December 31, 2014.

Nonaccrual loans were $3,236 at June 30, 2015, a decrease of $4,534 as compared to $7,770 at December 31, 2014. The decrease was due to the return of several loans to accruing status, as well as the foreclosure and conversion of nonaccrual loans to other property owned.

The Association 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 Association may increase the allowance by making a provision for loan losses through the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan is uncollectible. Any subsequent recoveries increase the allowance. The Association's Risk Management Committee, which is comprised of senior management and a member of the Board of Directors, evaluates the adequacy of the allowance on a quarterly basis. The evaluation considers factors which include, but are not limited to, loan loss experience, portfolio quality, loan portfolio composition, commodity prices, agricultural production conditions, and general economic conditions.

The allowance for loan losses at June 30, 2015 was $4,988 as compared to $4,662 at December 31, 2014, an increase of $326. The increase reflected recoveries of $494, partially offset by charge-offs of $168. The allowance for loan losses at June 30, 2015 was considered by management to be adequate to cover possible losses. The allowance represented 1.83 percent of gross loan volume as of June 30, 2015.

Other property owned was $4,112 as of June 30, 2015 as compared to $2,983 at December 31, 2014. The net increase of $1,129 was due to acquisitions of $1,895, sales of $713, write downs of $9, and net losses on sale of $44. Other property owned consisted of twelve real estate properties located in Florida, Georgia and Tennessee. The Association is actively marketing the properties for sale.

Accounts receivable decreased to $1,356 as of June 30, 2015 as compared to $4,647 as of December 31, 2014. Accounts receivable consist of general receivables, as well as patronage receivables from AgFirst Farm Credit Bank (AgFirst or the Bank) and other Farm Credit institutions. The decrease of $3,291 was due primarily to the fact that patronage receivables at December 31, 2014 included four quarters of accrued patronage and accrued special patronage from AgFirst, as compared to two quarters of accrued patronage at June 30, 2015.

RESULTS OF OPERATIONS

For the three months ending June 30, 2015

Net income for the three months ending June 30, 2015 totaled $1,201 as compared to net income of $861 for the same period in 2014, an increase of $340 or 39.49 percent. Components of the increase in net income are discussed further in the following paragraphs.

Interest income for the three months ending June 30, 2015 was $3,298, an increase of $244 or 7.99 percent as compared to $3,054 for the same period in 2014. The increase was due to higher interest income recognized on originated accruing loans, purchased participation loans, and nonaccrual loans.

Interest expense for the three months ending June 30, 2015 was $1,044, an increase of $35 or 3.47 percent as compared to $1,009 for the same period in 2014. The increase was due to higher average balances under the Association's notes payable to AgFirst.

Net interest income before provision for loan losses for the three months ending June 30, 2015 was $2,254, an increase of $209 or 10.22 percent as compared to $2,045 for the same period in 2014. The increase was due to $151 in higher interest income recognized on nonaccrual loans and $93 in higher interest earnings on originated accruing loans and purchased participation loans, partially offset by $35 in higher interest expense.

There was no provision for or reversal of allowance for loan losses for the three months ending June 30, 2015 and June 30, 2014.

Noninterest income for the three months ending June 30, 2015 totaled $595 as compared to $595 for the same period in 2014. Lower loan fee income and other noninterest income were offset by increased patronage refunds and gains on sale of rural home loans. Loan fee income declined due to management's decision to defer additional fees under FAS 91 accounting guidelines.

Noninterest expense for the three months ending June 30, 2015 totaled $1,648 as compared to $1,779 for the same period in 2014, a decrease of $131 or 7.36 percent. The decrease was due to reductions in losses on other property owned and other operating expenses, partially offset by increases in salaries and benefits expense, occupancy and equipment expense, and insurance fund premiums.

For the six months ending June 30, 2015

Net income for the six months ending June 30, 2015, totaled $2,206 as compared to net income of $1,865 for the same period in 2014, an increase of $341 or 18.28 percent. Components of the increase in net income are discussed further in the following paragraphs.

Interest income for the six months ending June 30, 2015 was $6,315, an increase of $107 or 1.72 percent as compared to $6,208 for the same period in 2014. The increase was due to higher interest income recognized on purchased participation loans and nonaccrual loans, partially offset by decreased interest income on originated loans.

Interest expense for the six months ending June 30, 2015 was $2,019, an increase of $1 or .05 percent as compared to $2,018 for the same period in 2014. Higher average balances under the Association's notes payable to AgFirst were offset by a decrease in interest rates.

Net interest income before provision for loan losses for the six months ending June 30, 2015 was $4,296 an increase of $106 or 2.53 percent as compared to $4,190 for the same period in 2014. The increase was due to $92 in higher interest income recognized on purchased participation loans and $88 on nonaccrual loans, partially offset by $74 in reduced interest earnings on originated accruing loans.

There was no provision for or reversal of the allowance for loan losses for the six months ending June 30, 2015 and June 30, 2014.

Noninterest income for the six months ending June 30, 2015, totaled $1,202 as compared to $1,171 for the same period of 2014, an increase of $31 or 2.65 percent. Higher patronage refunds, gains on sales of rural home loans, and other noninterest income were partially offset by decreased loan fees and gains on sales of premises and equipment. Loan fee income declined due to management's decision to defer additional fees under FAS 91 accounting guidelines.

Noninterest expense for the six months ending June 30, 2015 totaled $3,292 as compared to $3,496 for the same period in 2014, a decrease of $204 or 5.84 percent. The decrease was due to reductions in losses on other property owned, other operating expenses and occupancy and equipment expense, partially offset by increases in salaries and benefits expense and insurance fund premiums.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst through the General Financing Agreement (GFA). The GFA 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.

Notes payable to AgFirst as of June 30, 2015 were $195,006, an increase of $5,504 or 2.90 percent as compared to $189,502 at December 31, 2014. The increase is primarily the result of increased loan volume. The Association had no lines of credit with third parties as of June 30, 2015.

CAPITAL RESOURCES

Total members' equity as of June 30, 2015 was $84,435, an increase of $2,190 or 2.66 percent as compared to $82,245 at December 31, 2014. Total capital stock and participation certificates were $847 as of June 30, 2015, a decrease of $8 as compared to $855 at 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 ratio was 28.66 percent and the total surplus ratio and core surplus ratios were 28.36 percent and 26.05 percent, respectively. All three ratios were well above the minimum regulatory ratios 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.

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 850-526-4910 ext. 118, or writing John P. Mottice, Chief Financial Officer, Farm Credit of Northwest Florida, ACA, P.O. Box 7000, Marianna, FL 32447, or accessing the website, *www.farmcredit-fl.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.

Farm Credit of Northwest Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)		June 30, 2015		December 31, 2014
		(unaudited)		*(audited)*
Assets				
Loans	**$**	**272,870**	$	264,173
Allowance for loan losses		**(4,988)**		(4,662)
Net loans		**267,882**		259,511
Loans held for sale		**354**		312
Accrued interest receivable		**1,628**		1,985
Investments in other Farm Credit institutions		**3,539**		3,607
Premises and equipment, net		**2,199**		2,103
Other property owned		**4,112**		2,983
Accounts receivable		**1,356**		4,647
Other assets		**1,156**		1,414
Total assets	**$**	**282,226**	$	276,562
Liabilities				
Notes payable to AgFirst Farm Credit Bank	**$**	**195,006**	$	189,502
Accrued interest payable		**362**		355
Patronage refunds payable		**32**		2,032
Accounts payable		**346**		404
Other liabilities		**2,045**		2,024
Total liabilities		**197,791**		194,317
Commitments and contingencies (Note 7)				
Members' Equity				
Protected borrower stock		**—**		1
Capital stock and participation certificates		**847**		854
Retained earnings				
Allocated		**54,217**		54,225
Unallocated		**29,371**		27,165
Total members' equity		**84,435**		82,245
Total liabilities and members' equity	**$**	**282,226**	$	276,562

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

Farm Credit of Northwest Florida, 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
Interest Income				
Loans	**$ 3,298**	$ 3,054	**$ 6,315**	$ 6,208
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**1,044**	1,009	**2,019**	2,018
Net interest income	**2,254**	2,045	**4,296**	4,190
Provision for loan losses	**—**	—	**—**	—
Net interest income after provision for loan losses	**2,254**	2,045	**4,296**	4,190
Noninterest Income				
Loan fees	**18**	57	**51**	109
Patronage refunds from other Farm Credit institutions	**520**	474	**1,015**	975
Gains (losses) on sales of rural home loans, net	**44**	27	**68**	34
Gains (losses) on sales of premises and equipment, net	**3**	—	**3**	16
Gains (losses) on other transactions	**(3)**	—	**2**	—
Other noninterest income	**13**	37	**63**	37
Total noninterest income	**595**	595	**1,202**	1,171
Noninterest Expense				
Salaries and employee benefits	**1,055**	1,010	**2,135**	2,079
Occupancy and equipment	**72**	65	**139**	141
Insurance Fund premiums	**61**	59	**120**	118
(Gains) losses on other property owned, net	**47**	225	**79**	285
Other operating expenses	**413**	420	**819**	873
Total noninterest expense	**1,648**	1,779	**3,292**	3,496
Net income	**1,201**	861	**2,206**	1,865
Other comprehensive income	**—**	—	**—**	—
Comprehensive income	**$ 1,201**	$ 861	**$ 2,206**	$ 1,865

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2013	$ 2	$ 848	$ 56,243	$ 23,510	$ 80,603
Comprehensive income				1,865	1,865
Protected borrower stock issued/(retired), net	(1)				(1)
Capital stock/participation certificates issued/(retired), net		(32)			(32)
Retained earnings retired			(8)		(8)
Balance at June 30, 2014	$ 1	$ 816	$ 56,235	$ 25,375	$ 82,427
Balance at December 31, 2014	**$ 1**	**$ 854**	**$ 54,225**	**$ 27,165**	**$ 82,245**
Comprehensive income				**2,206**	**2,206**
Protected borrower stock issued/(retired), net	**(1)**				**(1)**
Capital stock/participation certificates issued/(retired), net		**(7)**			**(7)**
Retained earnings retired			**(8)**		**(8)**
Balance at June 30, 2015	**$ —**	**$ 847**	**$ 54,217**	**$ 29,371**	**$ 84,435**

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

Farm Credit of Northwest Florida, 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 Farm Credit of Northwest Florida, 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 may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

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

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

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

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

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

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

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

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

ASUs Pending Effective Date

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

Potential effects of ASUs issued in previous periods:

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

Accounting Standards Effective During the Period

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

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

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

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

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

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

Note 2 — Loans and Allowance for Loan Losses

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

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

A summary of loans outstanding at period end follows:

	June 30, 2015	December 31, 2014
Real estate mortgage	$ 176,646	$ 175,425
Production and intermediate-term	77,619	72,521
Loans to cooperatives	7	8
Processing and marketing	13,961	12,273
Farm-related business	213	58
Communication	1,265	1,324
Rural residential real estate	3,159	2,564
Total Loans	$ 272,870	$ 264,173

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:

	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	$ 880	$ 61,995	$ –	$ 1,824	$ 239	$ –	$ 1,119	$ 63,819
Production and intermediate-term	3,811	9,234	–	–	2,850	2,106	6,661	11,340
Processing and marketing	13,976	–	–	–	–	–	13,976	–
Communication	1,267	–	–	–	–	–	1,267	–
Total	$ 19,934	$ 71,229	$ –	$ 1,824	$ 3,089	$ 2,106	$ 23,023	$ 75,159

	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	$ 577	$ 64,566	$ –	$ 2,434	$ 244	$ –	$ 821	$ 67,000
Production and intermediate-term	2,769	13,321	–	–	2,850	2,156	5,619	15,477
Processing and marketing	12,275	–	–	–	–	–	12,275	–
Communication	1,324	–	–	–	–	–	1,324	–
Total	$ 16,945	$ 77,887	$ –	$ 2,434	$ 3,094	$ 2,156	$ 20,039	$ 82,477

A significant source of liquidity for the Association is the repayment 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	$ 23,974	$ 49,753	$ 102,919	$ 176,646
Production and intermediate-term	18,409	46,260	12,950	77,619
Loans to cooperatives	–	7	–	7
Processing and marketing	(10)	8,750	5,221	13,961
Farm-related business	–	69	144	213
Communication	–	1,265	–	1,265
Rural residential real estate	119	747	2,293	3,159
Total Loans	$ 42,492	$ 106,851	$ 123,527	$ 272,870
Percentage	15.57%	39.16%	45.27%	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	88.08%	86.88%
OAEM	5.77	6.96
Substandard/doubtful/loss	6.15	6.16
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	79.73%	72.74%
OAEM	5.06	8.47
Substandard/doubtful/loss	15.21	18.79
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	–%	–%
OAEM	–	–
Substandard/doubtful/loss	100.00	100.00
	100.00%	100.00%
Processing and marketing:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	94.38%	92.82%
OAEM	1.72	2.19
Substandard/doubtful/loss	3.90	4.99
	100.00%	100.00%
Total Loans:		
Acceptable	86.45%	83.74%
OAEM	5.20	6.97
Substandard/doubtful/loss	8.35	9.29
	100.00%	100.00%

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

	June 30, 2015					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 215	$ 573	$ 788	$ 176,888	$ 177,676	$ –
Production and intermediate-term	37	2,453	2,490	75,656	78,146	–
Loans to cooperatives	–	–	–	7	7	–
Processing and marketing	–	(10)	(10)	14,028	14,018	–
Farm-related business	–	–	–	214	214	–
Communication	–	–	–	1,265	1,265	–
Rural residential real estate	112	44	156	3,016	3,172	–
Total	$ 364	$ 3,060	$ 3,424	$ 271,074	$ 274,498	$ –

	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	$ 533	$ 808	$ 1,341	$ 175,462	$ 176,803	$ –
Production and intermediate-term	749	6,530	7,279	65,794	73,073	–
Loans to cooperatives	–	–	–	8	8	–
Processing and marketing	–	(10)	(10)	12,327	12,317	–
Farm-related business	–	–	–	58	58	–
Communication	–	–	–	1,324	1,324	–
Rural residential real estate	136	44	180	2,395	2,575	–
Total	$ 1,418	$ 7,372	$ 8,790	$ 257,368	$ 266,158	$ –

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	$ 620	$ 1,147
Production and intermediate-term	2,510	6,514
Processing and marketing	(10)	(10)
Rural residential real estate	116	119
Total	$ 3,236	$ 7,770
Accruing restructured loans:		
Real estate mortgage	$ 312	$ 189
Production and intermediate-term	4,087	4,171
Total	$ 4,399	$ 4,360
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 7,635	$ 12,130
Other property owned	4,112	2,983
Total nonperforming assets	$ 11,747	$ 15,113
Nonaccrual loans as a percentage of total loans	1.19%	2.94%
Nonperforming assets as a percentage of total loans and other property owned	4.24%	5.66%
Nonperforming assets as a percentage of capital	13.91%	18.38%

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	$ 68	$ 397
Past due	3,168	7,373
Total	3,236	7,770
Impaired accrual loans:		
Restructured	4,399	4,360
90 days or more past due	–	–
Total	4,399	4,360
Total impaired loans	$ 7,635	$ 12,130

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	272	272	40	283	8	348	11
Processing and marketing	–	–	–	–	–	–	–
Rural residential real estate	72	79	30	74	2	91	3
Total	$ 344	$ 351	$ 70	$ 357	$ 10	$ 439	$ 14
With no related allowance for credit losses:							
Real estate mortgage	$ 932	$ 1,182	$ –	$ 965	$ 27	$ 1,188	$ 38
Production and intermediate-term	6,325	6,818	–	6,548	181	8,064	263
Processing and marketing	(10)	1,228	–	(10)	–	(13)	–
Rural residential real estate	44	473	–	46	1	56	2
Total	$ 7,291	$ 9,701	$ –	$ 7,549	$ 209	$ 9,295	$ 303
Total:							
Real estate mortgage	$ 932	$ 1,182	$ –	$ 965	$ 27	$ 1,188	$ 38
Production and intermediate-term	6,597	7,090	40	6,831	189	8,412	274
Processing and marketing	(10)	1,228	–	(10)	–	(13)	–
Rural residential real estate	116	552	30	120	3	147	5
Total	$ 7,635	$ 10,052	$ 70	$ 7,906	$ 219	$ 9,734	$ 317

	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	$ 181	$ 192	$ 31	$ 212	$ 3
Production and intermediate-term	2,149	2,139	27	2,516	33
Rural residential real estate	75	79	33	87	1
Total	$ 2,405	$ 2,410	$ 91	$ 2,815	$ 37
With no related allowance for credit losses:					
Real estate mortgage	$ 1,155	$ 1,380	$ –	$ 1,352	$ 17
Production and intermediate-term	8,536	9,441	–	9,991	131
Processing and marketing	(10)	1,228	–	(12)	–
Rural residential real estate	44	474	–	52	1
Total	$ 9,725	$ 12,523	$ –	$ 11,383	$ 149
Total:					
Real estate mortgage	$ 1,336	$ 1,572	$ 31	$ 1,564	$ 20
Production and intermediate-term	10,685	11,580	27	12,507	164
Processing and marketing	(10)	1,228	–	(12)	–
Rural residential real estate	119	553	33	139	2
Total	$ 12,130	$ 14,933	$ 91	$ 14,198	$ 186

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	Rural Residential Real Estate	Total
Activity related to the allowance for credit losses:						
Balance at March 31, 2015	$ 3,255	$ 1,150	$ 232	$ 24	$ 50	$ 4,711
Charge-offs	–	(53)	–	–	–	(53)
Recoveries	330	–	–	–	–	330
Provision for loan losses	(282)	241	34	–	7	–
Balance at June 30, 2015	$ 3,303	$ 1,338	$ 266	$ 24	$ 57	$ 4,988
Balance at December 31, 2014	$ 3,189	$ 1,149	$ 223	$ 24	$ 77	$ 4,662
Charge-offs	(52)	(116)	–	–	–	(168)
Recoveries	349	145	–	–	–	494
Provision for loan losses	(183)	160	43	–	(20)	–
Balance at June 30, 2015	$ 3,303	$ 1,338	$ 266	$ 24	$ 57	$ 4,988
Balance at March 31, 2014	$ 3,545	$ 1,600	$ 175	$ 26	$ 476	$ 5,822
Charge-offs	–	–	–	–	–	–
Recoveries	74	17	–	–	26	117
Provision for loan losses	(365)	325	41	(1)	–	–
Balance at June 30, 2014	$ 3,254	$ 1,942	$ 216	$ 25	$ 502	$ 5,939
Balance at December 31, 2013	$ 3,457	$ 1,732	$ 153	$ 25	$ 473	$ 5,840
Charge-offs	–	(125)	–	–	–	(125)
Recoveries	143	17	33	–	31	224
Provision for loan losses	(346)	318	30	–	(2)	–
Balance at June 30, 2014	$ 3,254	$ 1,942	$ 216	$ 25	$ 502	$ 5,939
Allowance on loans evaluated for impairment:						
Individually	$ –	$ 40	$ –	$ –	$ 30	$ 70
Collectively	3,303	1,298	266	24	27	4,918
Balance at June 30, 2015	$ 3,303	$ 1,338	$ 266	$ 24	$ 57	$ 4,988
Individually	$ 31	$ 27	$ –	$ –	$ 33	$ 91
Collectively	3,158	1,122	223	24	44	4,571
Balance at December 31, 2014	$ 3,189	$ 1,149	$ 223	$ 24	$ 77	$ 4,662
Recorded investment in loans evaluated for impairment:						
Individually	$ 932	$ 6,597	$ (10)	$ –	$ 116	$ 7,635
Collectively	176,744	71,549	14,249	1,265	3,056	266,863
Balance at June 30, 2015	$ 177,676	$ 78,146	$ 14,239	$ 1,265	$ 3,172	$ 274,498
Individually	$ 1,336	$ 10,685	$ (10)	$ –	$ 119	$ 12,130
Collectively	175,467	62,388	12,393	1,324	2,456	254,028
Balance at December 31, 2014	$ 176,803	$ 73,073	$ 12,383	$ 1,324	$ 2,575	$ 266,158

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

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

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

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during 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	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Real estate mortgage	$ 312	$ 317	$ –	$ 128
Production and intermediate-term	4,279	4,756	192	585
Rural residential real estate	44	44	44	44
Total Loans	$ 4,635	$ 5,117	$ 236	$ 757
Additional commitments to lend	$ –	$ –		

The following table presents information as of period end:

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

Note 3 — Investments

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 1.27 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 $369 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

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

Note 5 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

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	$ 1	$ 1	$ –	$ –	$ 1	
Recurring Assets	$ 1	$ 1	$ –	$ –	$ 1	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Non recurring Measurements						
Assets:						
Impaired loans	$ 7,565	$ –	$ –	$ 7,565	$ 7,565	$ 347
Other property owned	4,112	–	–	4,525	4,525	(49)
Nonrecurring Assets	$ 11,677	$ –	$ –	$ 12,090	$ 12,090	$ 298
Other Financial Instruments						
Assets:						
Cash	$ –	$ –	$ –	$ –	$ –	
Loans	260,671	–	–	259,612	259,612	
Other Financial Assets	$ 260,671	$ –	$ –	$ 259,612	$ 259,612	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 195,006	$ –	$ –	$ 193,537	$ 193,537	
Other Financial Liabilities	$ 195,006	$ –	$ –	$ 193,537	$ 193,537	

	At or for the Year ended December 31, 2014					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 12,039	$ –	$ –	$ 12,039	$ 12,039	$ (229)
Other property owned	2,983	–	–	3,256	3,256	(1,000)
Nonrecurring Assets	$ 15,022	$ –	$ –	$ 15,295	$ 15,295	$ (1,229)
Other Financial Instruments						
Assets:						
Cash	$ –	$ –	$ –	$ –	$ –	
Loans	247,784	–	–	246,210	246,210	
Other Financial Assets	$ 247,784	$ –	$ –	$ 246,210	$ 246,210	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 189,502	$ –	$ –	$ 187,842	$ 187,842	
Other Financial Liabilities	$ 189,502	$ –	$ –	$ 187,842	$ 187,842	

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.

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	$ 12,090	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement costs	*
			Comparability adjustments	*

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

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

Note 6 — Employee Benefit Plans

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Pension	$ 150	$ 165	$ 300	$ 330
401(k)	46	38	102	68
Other postretirement benefits	48	27	97	55
Total	$ 244	$ 230	$ 499	$ 453

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

	Actual YTD Through 6/30/15	Projected Contributions For Remainder Of 2015	Projected Total Contributions 2015
Pension	$ –	$ 615	$ 615
Other postretirement benefits	59	58	117
Total	$ 59	$ 673	$ 732

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

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

Note 7 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable 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 8 — Subsequent Events

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