Farm Credit of Northwest Florida, ACA

FIRST QUARTER 2015

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 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
Chief Executive Officer

John P. Mottice
Chief Financial Officer

Richard Terry
Chairman of the Board

May 8, 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 March 31, 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 March 31, 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 March 31, 2015.

Ricky K. Bitner
Chief Executive Officer

John P. Mottice
Chief Financial Officer

May 8, 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 March 31, 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 March 31, 2015, was $267,679, an increase of $3,506 as compared to $264,173 at December 31, 2014. Net loans outstanding, gross loans net of the allowance for loan losses, at March 31, 2015, were $262,968 as compared to $259,511 at December 31, 2014, an increase of $3,457. Net loans accounted for 95.24 percent of total assets at March 31, 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 91.11 percent of total loans and accrued interest at March 31, 2015 as compared to 90.71 percent at December 31, 2014.

Nonaccrual loans were $4,715 at March 31, 2015, a decrease of $3,055 as compared to $7,770 at December 31, 2014. The decrease was due primarily to the return of a large loan to accruing status.

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 March 31, 2015 was $4,711 as compared to $4,662 at December 31, 2014, an increase of $49. The increase reflected recoveries of $164, partially offset by charge-offs of $115. The allowance for loan losses at March 31, 2015 was considered by management to be adequate to cover possible losses. The allowance represented 1.76 percent of gross loan volume as of March 31, 2015.

Other property owned was $3,229 as of March 31, 2015 as compared to $2,983 at December 31, 2014. The net increase of $246 was due to acquisitions of $417, sales of $159, and write downs of $12. Other property owned consisted of fifteen real estate properties located in Florida, Georgia and Tennessee. The Association is actively marketing the properties for sale.

Accounts receivable decreased to $883 as of March 31, 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 $3,764 was due primarily to the fact that patronage receivables at December 31, 2014 included four quarters of accrued patronage from AgFirst, as compared to one quarter of accrued patronage at March 31, 2015.

RESULTS OF OPERATIONS

For the three months ending March 31, 2015

Net income for the three months ending March 31, 2015 totaled $1,005, as compared to net income of $1,004 for the same period in 2014, an increase of $1. Components of the increase in net income are discussed further in the following paragraphs.

Interest income for the three months ending March 31, 2015 was $3,017, a decrease of $137 or 4.34 percent as compared to $3,154 for the same period in 2014. The decrease was due to lower interest income recognized on nonaccrual loans and lower interest rates on accruing loans.

Interest expense for the three months ending March 31, 2015 was $975, a decrease of $34 or 3.37 percent as compared to $1,009 for the same period in 2014. The decrease was due to lower interest rates and lower average balances under the Association's notes payable to AgFirst.

Net interest income before provision for loan losses for the three months ending March 31, 2015 was $2,042, a decrease of $103 as compared to $2,145 for the same period in 2014. The decrease was due to $62 in lower interest income recognized on nonaccrual loans and $41 in lower net interest earnings as a result of declining interest rate spreads.

There was no provision for or reversal of allowance for loan losses for the three months ending March 31, 2015 and March 31, 2014.

Noninterest income for the three months ending March 31, 2015 totaled $607, as compared to $576 for the same period in 2014, an increase of $31. The increase primarily reflected higher gains on sales of rural home loans and higher other noninterest income, partially offset by lower loan fees and lower patronage refunds from AgFirst. The increase in other noninterest income of $50 was due to a timing difference in the recognition of income from FCC Services of $41 and income from the rental of office space of $9.

Noninterest expense for the three months ending March 31, 2015 totaled $1,644, as compared to $1,717 for the same period in 2014, a decrease of $73. The decrease was due to reductions in losses on other property owned, occupancy and equipment expense, and other operating expenses, partially offset by an increase in salaries and benefits expense.

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 March 31, 2015 were $188,275, a decrease of $1,227 as compared to $189,502 at December 31, 2014. The decrease is primarily the result of an increase in members' equity to fund assets. The Association had no lines of credit with third parties as of March 31, 2015.

CAPITAL RESOURCES

Total members' equity as of March 31, 2015 was $83,227, an increase of $982 as compared to $82,245 at December 31, 2014. Total capital stock and participation certificates were $832 as of March 31, 2015, a decrease of $23 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 March 31, 2015 the Association's permanent capital ratio was 29.10 percent and the total surplus ratio and core surplus ratios were 28.73 percent and 26.60 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 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 public comment period ended on February 16, 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 Wall Street Reform and Consumer Protection Act (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)	March 31, 2015	December 31, 2014
	(unaudited)	*(audited)*
Assets		
Loans	**267,679**	264,173
Allowance for loan losses	**(4,711)**	(4,662)
Net loans	**262,968**	259,511
Loans held for sale	**293**	312
Accrued interest receivable	**1,624**	1,985
Investments in other Farm Credit institutions	**3,576**	3,607
Premises and equipment, net	**2,201**	2,103
Other property owned	**3,229**	2,983
Accounts receivable	**883**	4,647
Other assets	**1,350**	1,414
Total assets	**$ 276,124**	$ 276,562
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 188,275**	$ 189,502
Accrued interest payable	**350**	355
Patronage refunds payable	**196**	2,032
Accounts payable	**277**	404
Other liabilities	**3,799**	2,024
Total liabilities	**192,897**	194,317
Commitments and contingencies (Note 7)		
Members' Equity		
Protected borrower stock	**—**	1
Capital stock and participation certificates	**832**	854
Retained earnings		
Allocated	**54,225**	54,225
Unallocated	**28,170**	27,165
Total members' equity	**83,227**	82,245
Total liabilities and members' equity	**$ 276,124**	$ 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 March 31, 2015	2014
Interest Income		
Loans	**$ 3,017**	$ 3,154
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	**975**	1,009
Net interest income	**2,042**	2,145
Provision for loan losses	**—**	—
Net interest income after provision for loan losses	**2,042**	2,145
Noninterest Income		
Loan fees	**33**	52
Patronage refunds from other Farm Credit institutions	**495**	501
Gains (losses) on sales of rural home loans, net	**24**	7
Gains (losses) on sales of premises and equipment, net	**—**	16
Gains (losses) on other transactions	**5**	—
Other noninterest income	**50**	—
Total noninterest income	**607**	576
Noninterest Expense		
Salaries and employee benefits	**1,080**	1,069
Occupancy and equipment	**67**	76
Insurance Fund premiums	**59**	59
(Gains) losses on other property owned, net	**32**	60
Other operating expenses	**406**	453
Total noninterest expense	**1,644**	1,717
Net income	**1,005**	1,004
Other comprehensive income	**—**	—
Comprehensive income	**$ 1,005**	$ 1,004

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				1,004	1,004
Protected borrower stock issued/(retired), net	(1)				(1)
Capital stock/participation certificates issued/(retired), net		(37)			(37)
Balance at March 31, 2014	$ 1	$ 811	$ 56,243	$ 24,514	$ 81,569
Balance at December 31, 2014	**$ 1**	**$ 854**	**$ 54,225**	**$ 27,165**	**$ 82,245**
Comprehensive income				**1,005**	**1,005**
Protected borrower stock issued/(retired), net	**(1)**				**(1)**
Capital stock/participation certificates issued/(retired), net		**(22)**			**(22)**
Balance at March 31, 2015	**$ —**	**$ 832**	**$ 54,225**	**$ 28,170**	**$ 83,227**

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.

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

No recently adopted accounting guidance issued by the Financial Accounting Standards Board (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. 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:

	March 31, 2015	December 31, 2014
Real estate mortgage	$ 177,765	$ 175,425
Production and intermediate-term	73,184	72,521
Loans to cooperatives	7	8
Processing and marketing	12,467	12,273
Farm-related business	146	58
Communication	1,284	1,324
Rural residential real estate	2,826	2,564
Total Loans	$ 267,679	$ 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:

March 31, 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	$ 870	$ 63,082	$ –	$ 2,422	$ 242	$ –	$ 1,112	$ 65,504
Production and intermediate-term	3,628	11,556	–	–	2,850	2,126	6,478	13,682
Processing and marketing	12,473	–	–	–	–	–	12,473	–
Communication	1,286	–	–	–	–	–	1,286	–
Total	$ 18,257	$ 74,638	$ –	$ 2,422	$ 3,092	$ 2,126	$ 21,349	$ 79,186

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:

March 31, 2015	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 11,164	$ 54,910	$ 111,691	$ 177,765
Production and intermediate-term	20,369	40,251	12,564	73,184
Loans to cooperatives	–	7	–	7
Processing and marketing	(10)	4,728	7,749	12,467
Farm-related business	–	(2)	148	146
Communication	–	1,284	–	1,284
Rural residential real estate	118	611	2,097	2,826
Total Loans	$ 31,641	$ 101,789	$ 134,249	$ 267,679
Percentage	11.82%	38.03%	50.15%	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:

	March 31, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	87.05%	86.88%
OAEM	6.91	6.96
Substandard/doubtful/loss	6.04	6.16
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	74.39%	72.74%
OAEM	7.93	8.47
Substandard/doubtful/loss	17.68	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%

	March 31, 2015	December 31, 2014
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	93.63%	92.82%
OAEM	1.95	2.19
Substandard/doubtful/loss	4.42	4.99
	100.00%	100.00%
Total Loans:		
Acceptable	84.33%	83.74%
OAEM	6.78	6.97
Substandard/doubtful/loss	8.89	9.29
	100.00%	100.00%

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

	March 31, 2015					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,236	$ 756	$ 1,992	$ 176,848	$ 178,840	$ –
Production and intermediate-term	2,546	3,494	6,040	67,653	73,693	–
Loans to cooperatives	–	–	–	7	7	–
Processing and marketing	–	(10)	(10)	12,506	12,496	–
Farm-related business	–	–	–	146	146	–
Communication	–	–	–	1,284	1,284	–
Rural residential real estate	58	44	102	2,735	2,837	–
Total	$ 3,840	$ 4,284	$ 8,124	$ 261,179	$ 269,303	$ –

	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:

	March 31, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	$ 1,092	$ 1,147
Production and intermediate-term	3,516	6,514
Processing and marketing	(10)	(10)
Rural residential real estate	117	119
Total	$ 4,715	$ 7,770
Accruing restructured loans:		
Real estate mortgage	$ 187	$ 189
Production and intermediate-term	4,152	4,171
Total	$ 4,339	$ 4,360
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 9,054	$ 12,130
Other property owned	3,229	2,983
Total nonperforming assets	$ 12,283	$ 15,113
Nonaccrual loans as a percentage of total loans	1.76%	2.94%
Nonperforming assets as a percentage of total loans and other property owned	4.53%	5.66%
Nonperforming assets as a percentage of capital	14.76%	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.

	March 31, 2015	December 31, 2014
Impaired nonaccrual loans:		
Current as to principal and interest	$ 430	$ 397
Past due	4,285	7,373
Total	4,715	7,770
Impaired accrual loans:		
Restructured	4,339	4,360
90 days or more past due	–	–
Total	4,339	4,360
Total impaired loans	$ 9,054	$ 12,130

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

	March 31, 2015			Quarter Ended March 31, 2015	
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	$ 49	$ 59	$ 9	$ 62	$ 1
Production and intermediate-term	2,133	2,123	27	2,730	23
Processing and marketing	–	–	–	–	–
Rural residential real estate	73	79	31	93	1
Total	$ 2,255	$ 2,261	$ 67	$ 2,885	$ 25
With no related allowance for credit losses:					
Real estate mortgage	$ 1,230	$ 1,509	$ –	$ 1,576	$ 13
Production and intermediate-term	5,535	6,049	–	7,079	61
Processing and marketing	(10)	1,229	–	(13)	–
Rural residential real estate	44	473	–	56	–
Total	$ 6,799	$ 9,260	$ –	$ 8,698	$ 74
Total:					
Real estate mortgage	$ 1,279	$ 1,568	$ 9	$ 1,638	$ 14
Production and intermediate-term	7,668	8,172	27	9,809	84
Processing and marketing	(10)	1,229	–	(13)	–
Rural residential real estate	117	552	31	149	1
Total	$ 9,054	$ 11,521	$ 67	$ 11,583	$ 99

Impaired loans:	December 31, 2014 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2014 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
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 December 31, 2014	$ 3,189	$ 1,149	$ 223	$ 24	$ 77	$ 4,662
Charge-offs	(52)	(63)	–	–	–	(115)
Recoveries	19	145	–	–	–	164
Provision for loan losses	99	(81)	9	–	(27)	–
Balance at March 31, 2015	$ 3,255	$ 1,150	$ 232	$ 24	$ 50	$ 4,711
Balance at December 31, 2013	$ 3,457	$ 1,732	$ 153	$ 25	$ 473	$ 5,840
Charge-offs	–	(125)	–	–	–	(125)
Recoveries	69	–	33	–	5	107
Provision for loan losses	19	(7)	(11)	1	(2)	–
Balance at March 31, 2014	$ 3,545	$ 1,600	$ 175	$ 26	$ 476	$ 5,822
Allowance on loans evaluated for impairment:						
Individually	$ 9	$ 27	$ –	$ –	$ 31	$ 67
Collectively	3,246	1,123	232	24	19	4,644
Balance at March 31, 2015	$ 3,255	$ 1,150	$ 232	$ 24	$ 50	$ 4,711
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	$ 1,279	$ 10,980	$ (10)	$ –	$ 117	$ 12,366
Collectively	177,561	62,713	12,659	1,284	2,720	256,937
Balance at March 31, 2015	$ 178,840	$ 73,693	$ 12,649	$ 1,284	$ 2,837	$ 269,303
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 month periods ended March 31, 2015 or March 31, 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	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Real estate mortgage	$ 313	$ 317	$ 126	$ 128
Production and intermediate-term	4,608	4,756	456	585
Rural residential real estate	44	44	44	44
Total Loans	$ 4,965	$ 5,117	$ 626	$ 757
Additional commitments to lend	$ –	$ –		

The following table presents information as of period end:

	March 31, 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 1.28 percent of the issued stock of the Bank as of March 31, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.9 billion and shareholders' equity totaled $2.3 billion. The Bank's earnings were $83 million for the first three 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.

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets.

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.

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	$ 12,534	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

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 Three Months Ended March 31, 2015					
	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	$ –	$ –	$ –	$ –	$ –	
Non recurring Measurements						
Assets:						
Impaired loans	$ 8,987	$ –	$ –	$ 8,987	$ 8,987	$ 72
Other property owned	3,229	–	–	3,547	3,547	(12)
Nonrecurring Assets	$ 12,216	$ –	$ –	$ 12,534	$ 12,534	$ 60
Other Financial Instruments						
Assets:						
Cash	$ –	$ –	$ –	$ –	$ –	
Loans	254,274	–	–	253,919	253,919	
Other Financial Assets	$ 254,274	$ –	$ –	$ 253,919	$ 253,919	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 188,275	$ –	$ –	$ 187,360	$ 187,360	
Other Financial Liabilities	$ 188,275	$ –	$ –	$ 187,360	$ 187,360	

	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	

Note 6 — Employee Benefit Plans

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

	For the three months ended March 31,	
	2015	2014
Pension	$ 150	$ 165
401(k)	56	30
Other postretirement benefits	49	28
Total	$ 255	$ 223

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

	Actual YTD Through 3/31/15	Projected Contributions For Remainder Of 2015	Projected Total Contributions 2015
Pension	$ –	$ 615	$ 615
Other postretirement benefits	29	88	117
Total	$ 29	$ 703	$ 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 May 8, 2015, which was the date the financial statements were issued.