River Valley AgCredit, ACA

SECOND QUARTER 2015

TABLE OF CONTENTS

CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2015 quarterly report of River Valley AgCredit, 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.

Stan Brunston
Chief Executive Officer
of River Valley AgCredit, ACA

David L. Richesin
Chairman of the Board
of River Valley AgCredit, ACA

Beth Barkley
Chief Financial Officer
of River Valley AgCredit, ACA

Darren L. Grogan
Member of the Board of Directors
Chairman of the Audit Committee
of River Valley AgCredit, ACA

August 7, 2015

River Valley AgCredit, 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.

Stan Brunston

Stan Brunston
Chief Executive Officer
of River Valley AgCredit, ACA

Beth Barkley

Beth Barkley
Chief Financial Officer
of River Valley AgCredit, ACA

August 7, 2015

River Valley AgCredit, 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 River Valley AgCredit, ACA (Association) for the period ended 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. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

Effective July 1, 2012, Chattanooga, ACA, merged with and into Jackson Purchase, ACA, after the Farm Credit Administration granted final approval of the merger on June 26, 2012. Jackson Purchase, ACA, then changed its name to River Valley AgCredit, ACA. The merger was accounted for under the acquisition method of accounting guidance.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including corn, soybeans, poultry, and tobacco. 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 $470,998 as compared to $492,869 at December 31, 2014, a decrease of $21,871. Net loans outstanding at June 30, 2015, were $465,155 as compared to $486,829 at December 31, 2014. Net loans accounted for 95.54 percent of total assets at June 30, 2015, as compared to 93.96 percent of total assets at December 31, 2014. The decrease in gross and net loan volume during the reporting period is primarily attributable to the seasonal paydowns on operating loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans decreased from $5,998 at December 31, 2014, to $4,744 at June 30, 2015. This decrease is primarily the result of normal nonaccrual collections.

Other property owned (OPO) consists primarily of assets once held as loan collateral that were acquired through foreclosure or deeded to the Association (or a lender group) in satisfaction of secured loans. Traditionally, OPO is primarily in the form of real estate. However, it can also include equipment and equity interests in companies or partnerships. The Association's ownership interest in certain properties is primarily in the form of a limited liability company (LLC) equity. OPO totaled $1,220 at June 30, 2015, compared to $919 December 31, 2014.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at June 30, 2015, was $5,843 compared to $6,040 at December 31, 2014, and was considered by management to be adequate to cover probable losses. The decrease of $197 in the allowance for loan losses was primarily the result of an increase in charge-offs.

RESULTS OF OPERATIONS

For the three months ended June 30, 2015

Net income for the three months ended June 30, 2015, totaled $1,498 as compared to $1,443 for the same period in 2014, an increase of $55. Net interest income increased $100 for the three months ended June 30, 2015, as compared to the same period in 2014. This increase is attributed primarily to an increase in interest income as a result of higher loan volume.

Noninterest income for the three months ended June 30, 2015, totaled $1,140 as compared to $769 for the same period in 2014, an increase of $371. This is attributed to an increase of $213 in patronage refunds from other farm credit institutions, $25 in fee income, $54 in other noninterest income, $44 in financially related services and $38 in gains on sale of rural home loans, offset by a decrease of $3 in losses on sales of premises and equipment.

Noninterest expense for the three months ended June 30, 2015, totaled $2,880 as compared to $2,658 for the same period in 2014, an increase of $222. This increase is attributed to an increase in salary and employee benefits of $126, $104 in other operating expenses, and $13 in insurance fund premiums. This is offset by a decrease in loss on OPO of $14 anda decrease in occupancy and equipment of $7.

For the six months ended June 30, 2015

Net income for the six months ended June 30, 2015, totaled $2,838, as compared to $3,186 for the same period in 2014. Net interest income increased $153 for the six months ended June 30, 2015, as compared to the same period in 2014. This increase in net interest income is attributed primarily to an increase in loan volume and a reduction in interest income received year over year from the liquidation of nonaccrual loans.

Noninterest income for the six months ended June 30, 2015, totaled $2,229, as compared to $1,964 for the same period of 2014, an increase of $265. The increase is primarily the result of an increase of $178 in patronage refund, $50 in sale of rural home loans, $16 in loan fees, $70 in financially related service fees, and $6 in other noninterest income, partially offset by a decrease of $55 in losses on sales of premises and equipment. Noninterest expense for the six months ended June 30, 2015, increased $589 compared to the same period of 2014. The primary reason for the increase is the reduction in gain on the sale of OPO and increases in general operating expenses including salaries and benefits.

During the second quarter of 2015, the Association recorded $210 of insurance premiums as compared to $184 in 2014, from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. The amount is reflected in Noninterest Expenses on the Consolidated Statements of Income.

Nonaccrual income was $59 for the six months ended June 30, 2015, as compared to $279 for the same period in 2014. This decrease is mainly the result of a reduction in loan collections. The Association recorded a provision of $72 for the six months ended June 30, 2015, as compared to a reversal of allowance for loan losses of $97 for the same period in 2014. The increase in provision for loan loss is attributed to charge-offs and an increase in loan volume.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at June 30, 2015, was $387,838 compared to $411,161 at December 31, 2014.

CAPITAL RESOURCES

Total members' equity at June 30, 2015, increased to $86,780 from the December 31, 2014, total of $86,679. The increase is primarily attributed to unallocated retained earnings. Total capital stock and participation certificates were $4,800 on June 30, 2015, compared to $4,872 on December 31, 2014.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of June 30, 2015, the Association's total surplus ratio and core surplus ratio were 18.24 percent and 16.78 percent, respectively, and the permanent capital ratio was 19.11 percent. The three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

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

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

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

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise.

- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System.
- To make System regulatory capital requirements more transparent.
- To meet the requirements of section 939A of the Dodd-Frank Act.

FINANCIAL REGULATORY REFORM

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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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 (270) 247-5613, writing Beth Barkley, Chief Financial Officer, River Valley AgCredit, ACA, P.O. Box 309, Mayfield, KY 42066, or accessing the website, *www.rivervalleyagcredit.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.

Reports of suspected or actual wrongdoing involving the Association, its employees, and/or Directors, can be made anonymously through the Association's Whistleblower Hotline (Listen Up) at 1-888-789-6627 or www.ListenUpReports.com.

River Valley AgCredit, ACA

Consolidated Balance Sheets

(dollars in thousands)	**June 30, 2015** *(unaudited)*	**December 31, 2014** *(audited)*
Assets		
Cash	**$ 1,371**	$ 2,933
Investment securities:		
Held to maturity (fair value of $27 and $96, respectively)	**27**	97
Loans	**470,998**	492,869
Allowance for loan losses	**(5,843)**	(6,040)
Net loans	**465,155**	486,829
Accrued interest receivable	**4,935**	5,056
Investments in other Farm Credit institutions	**6,814**	7,108
Premises and equipment, net	**5,066**	5,698
Other property owned	**1,220**	919
Accounts receivable	**1,662**	8,283
Other assets	**614**	1,223
Total assets	**$ 486,864**	$ 518,146
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 387,838**	$ 411,161
Accrued interest payable	**757**	806
Patronage refunds payable	**226**	2,683
Accounts payable	**306**	483
Advanced conditional payments	**5,327**	5,936
Other liabilities	**5,630**	10,398
Total liabilities	**400,084**	431,467
Commitments and contingencies (Note 7)		
Members' Equity		
Capital stock and participation certificates	**4,800**	4,872
Additional paid-in-capital	**15,817**	15,817
Retained earnings		
Allocated	**36,582**	38,301
Unallocated	**29,581**	27,689
Total members' equity	**86,780**	86,679
Total liabilities and members' equity	**$ 486,864**	$ 518,146

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

River Valley AgCredit, 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	**$ 5,521**	$ 5,266	**$ 11,108**	$ 10,562
Investments	**—**	—	**—**	2
Total interest income	**5,521**	5,266	**11,108**	10,564
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**2,210**	2,046	**4,441**	4,037
Other	**11**	20	**27**	40
Total interest expense	**2,221**	2,066	**4,468**	4,077
Net interest income	**3,300**	3,200	**6,640**	6,487
Provision for (reversal of allowance for) loan losses	**62**	(132)	**72**	(97)
Net interest income after provision for (reversal of allowance for) loan losses	**3,238**	3,332	**6,568**	6,584
Noninterest Income				
Loan fees	**167**	142	**274**	258
Fees for financially related services	**74**	30	**187**	117
Patronage refunds from other Farm Credit institutions	**758**	545	**1,612**	1,434
Gains (losses) on sales of rural home loans, net	**85**	47	**150**	100
Gains (losses) on sales of premises and equipment, net	**(3)**	—	**(55)**	—
Other noninterest income	**59**	5	**61**	55
Total noninterest income	**1,140**	769	**2,229**	1,964
Noninterest Expense				
Salaries and employee benefits	**2,038**	1,912	**4,163**	3,961
Occupancy and equipment	**134**	141	**288**	300
Insurance Fund premiums	**105**	92	**210**	184
(Gains) losses on other property owned, net	**2**	16	**8**	(263)
Other operating expenses	**601**	497	**1,290**	1,188
Total noninterest expense	**2,880**	2,658	**5,959**	5,370
Income before income taxes	**1,498**	1,443	**2,838**	3,178
Provision (benefit) for income taxes	**—**	—	**—**	(8)
Net income	**1,498**	1,443	**2,838**	3,186
Other comprehensive income	**—**	—	**—**	—
Comprehensive income	**$ 1,498**	$ 1,443	**$ 2,838**	$ 3,186

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

River Valley AgCredit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2013	$ 4,989	$ 15,817	$ 36,490	$ 24,529	$ 81,825
Comprehensive income				3,186	3,186
Capital stock/participation certificates issued/(retired), net	(73)				(73)
Retained earnings retired			(2,428)		(2,428)
Patronage distribution adjustment			(296)	(543)	(839)
Balance at June 30, 2014	$ 4,916	$ 15,817	$ 33,766	$ 27,172	$ 81,671
Balance at December 31, 2014	**$ 4,872**	**$ 15,817**	**$ 38,301**	**$ 27,689**	**$ 86,679**
Comprehensive income				**2,838**	**2,838**
Capital stock/participation certificates issued/(retired), net	**(72)**				**(72)**
Retained earnings retired			**(2,331)**		**(2,331)**
Patronage distribution adjustment			**612**	**(946)**	**(334)**
Balance at June 30, 2015	**$ 4,800**	**$ 15,817**	**$ 36,582**	**$ 29,581**	**$ 86,780**

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

River Valley AgCredit, 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 River Valley AgCredit, 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.

Effective July 1, 2012, Chattanooga, ACA merged with and into Jackson Purchase, ACA. The merged associations now operate under the name of River Valley AgCredit, ACA.

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	$ 234,805	$ 241,294
Production and intermediate-term	199,159	212,684
Loans to cooperatives	2,956	3,075
Processing and marketing	7,265	8,651
Farm-related business	4,235	4,399
Rural residential real estate	15,664	14,896
Other (including Mission Related)	6,914	7,870
Total Loans	$ 470,998	$ 492,869

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	$ –	$ 11,118	$ –	$ –	$ 2,073	$ 1,397	$ 2,073	$ 12,515
Production and intermediate-term	4,819	9,782	–	–	10,501	706	15,320	10,488
Loans to cooperatives	–	–	–	–	2,956	–	2,956	–
Processing and marketing	6,393	–	390	–	419	–	7,202	–
Farm-related business	239	943	–	–	–	–	239	943
Other (including Mission Related)	–	–	–	–	6,702	–	6,702	–
Total	$ 11,451	$ 21,843	$ 390	$ –	$ 22,651	$ 2,103	$ 34,492	$ 23,946

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	$ –	$ 13,952	$ –	$ –	$ 915	$ 1,216	$ 915	$ 15,168
Production and intermediate-term	5,321	10,831	–	–	10,286	796	15,607	11,627
Loans to cooperatives	–	–	–	–	3,075	–	3,075	–
Processing and marketing	7,514	–	501	–	419	–	8,434	–
Farm-related business	–	811	–	–	–	–	–	811
Other (including Mission Related)	–	–	–	–	7,623	–	7,623	–
Total	$ 12,835	$ 25,594	$ 501	$ –	$ 22,318	$ 2,012	$ 35,654	$ 27,606

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

June 30, 2015	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 4,353	$ 23,993	$ 206,459	$ 234,805
Production and intermediate-term	68,091	74,884	56,184	199,159
Loans to cooperatives	486	1,490	980	2,956
Processing and marketing	–	4,248	3,017	7,265
Farm-related business	1,673	247	2,315	4,235
Rural residential real estate	2,154	2,037	11,473	15,664
Other (including Mission Related)	–	1,131	5,783	6,914
Total Loans	$ 76,757	$ 108,030	$ 286,211	$ 470,998
Percentage	16.30%	22.93%	60.77%	100.00%

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

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

	June 30, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	98.04%	97.88%
OAEM	0.61	0.80
Substandard/doubtful/loss	1.35	1.32
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	97.96%	97.58%
OAEM	1.14	1.27
Substandard/doubtful/loss	0.90	1.15
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	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%	63.27%
OAEM	–	36.73
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	96.16%	96.19%
OAEM	0.43	0.47
Substandard/doubtful/loss	3.41	3.34
	100.00%	100.00%
Other (including Mission Related)		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total Loans:		
Acceptable	98.03%	97.48%
OAEM	0.80	1.28
Substandard/doubtful/loss	1.17	1.24
	100.00%	100.00%

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

June 30, 2015

	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,610	$ 2,314	$ 3,924	$ 233,314	$ 237,238	$ 159
Production and intermediate-term	697	1,956	2,653	198,818	201,471	–
Loans to cooperatives	–	–	–	2,986	2,986	–
Processing and marketing	–	–	–	7,292	7,292	–
Farm-related business	–	–	–	4,264	4,264	–
Rural residential real estate	262	79	341	15,394	15,735	–
Other (including Mission Related)	–	153	153	6,794	6,947	153
Total	$ 2,569	$ 4,502	$ 7,071	$ 468,862	$ 475,933	$ 312

December 31, 2014

	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,188	$ 2,927	$ 4,115	$ 239,597	$ 243,712	$ 36
Production and intermediate-term	64	1,821	1,885	213,310	215,195	69
Loans to cooperatives	–	–	–	3,102	3,102	–
Processing and marketing	–	–	–	8,666	8,666	–
Farm-related business	–	–	–	4,404	4,404	–
Rural residential real estate	237	60	297	14,647	14,944	–
Other (including Mission Related)	–	–	–	7,902	7,902	–
Total	$ 1,489	$ 4,808	$ 6,297	$ 491,628	$ 497,925	$ 105

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	$ 2,528	$ 3,115
Production and intermediate-term	2,048	2,704
Rural residential real estate	168	179
Total	$ 4,744	$ 5,998
Accruing restructured loans:		
Real estate mortgage	$ 2,029	$ 2,081
Production and intermediate-term	289	974
Rural residential real estate	25	26
Total	$ 2,343	$ 3,081
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 159	$ 36
Production and intermediate-term	–	69
Other (including Mission Related)	153	–
Total	$ 312	$ 105
Total nonperforming loans	$ 7,399	$ 9,184
Other property owned	1,220	919
Total nonperforming assets	$ 8,619	$ 10,103
Nonaccrual loans as a percentage of total loans	1.01%	1.22%
Nonperforming assets as a percentage of total loans and other property owned	1.83%	2.05%
Nonperforming assets as a percentage of capital	9.93%	11.66%

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	$ 309	$ 1,046
Past due	4,435	4,952
Total	4,744	5,998
Impaired accrual loans:		
Restructured	2,343	3,081
90 days or more past due	312	105
Total	2,655	3,186
Total impaired loans	$ 7,399	$ 9,184

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	$ 38	$ 59	$ 39	$ 44	$ –	$ 45	$ –
Production and intermediate-term	732	732	74	833	2	863	7
Rural residential real estate	68	104	24	77	–	80	1
Total	$ 838	$ 895	$ 137	$ 954	$ 2	$ 988	$ 8
With no related allowance for credit losses:							
Real estate mortgage	$ 4,678	$ 4,622	$ –	$ 5,319	$ 12	$ 5,512	$ 43
Production and intermediate-term	1,605	1,647	–	1,825	4	1,892	15
Rural residential real estate	125	158	–	143	–	148	1
Other (including Mission Related)	153	145	–	174	–	180	1
Total	$ 6,561	$ 6,572	$ –	$ 7,461	$ 16	$ 7,732	$ 60
Total:							
Real estate mortgage	$ 4,716	$ 4,681	$ 39	$ 5,363	$ 12	$ 5,557	$ 43
Production and intermediate-term	2,337	2,379	74	2,658	6	2,755	22
Rural residential real estate	193	262	24	220	–	228	2
Other (including Mission Related)	153	145	–	174	–	180	1
Total	$ 7,399	$ 7,467	$ 137	$ 8,415	$ 18	$ 8,720	$ 68

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	$ 126	$ 150	$ 44	$ 147	$ 7
Production and intermediate-term	460	475	152	536	25
Rural residential real estate	71	108	24	83	4
Total	$ 657	$ 733	$ 220	$ 766	36
With no related allowance for credit losses:					
Real estate mortgage	$ 5,106	$ 5,296	$ –	$ 5,951	$ 278
Production and intermediate-term	3,287	3,308	–	3,832	180
Rural residential real estate	134	145	–	156	7
Total	$ 8,527	$ 8,749	$ –	$ 9,939	$ 465
Total:					
Real estate mortgage	$ 5,232	$ 5,446	$ 44	$ 6,098	$ 285
Production and intermediate-term	3,747	3,783	152	4,368	205
Rural residential real estate	205	253	24	239	11
Total	$ 9,184	$ 9,482	$ 220	$ 10,705	$ 501

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

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Rural Residential Real Estate	Other (including Mission Related)	Total
Activity related to the allowance for credit losses:						
Balance at March 31, 2015	$ 2,539	$ 2,499	$ 863	$ 145	$ –	$ 6,046
Charge-offs	(132)	(135)	–	(20)	–	(287)
Recoveries	13	9	–	–	–	22
Provision for loan losses	385	98	(474)	53	–	62
Balance at June 30, 2015	$ 2,805	$ 2,471	$ 389	$ 178	$ –	$ 5,843
Balance at December 31, 2014	$ 2,542	$ 2,490	$ 863	$ 145	$ –	$ 6,040
Charge-offs	(134)	(138)	–	(22)	–	(294)
Recoveries	13	12	–	–	–	25
Provision for loan losses	384	107	(474)	55	–	72
Balance at June 30, 2015	$ 2,805	$ 2,471	$ 389	$ 178	$ –	$ 5,843
Balance at March 31, 2014	$ 2,347	$ 2,844	$ 827	$ 100	$ 16	$ 6,134
Charge-offs	–	(3)	–	(1)	–	(4)
Recoveries	15	40	–	–	–	55
Provision for loan losses	357	(573)	87	13	(16)	(132)
Balance at June 30, 2014	$ 2,719	$ 2,308	$ 914	$ 112	$ –	$ 6,053
Balance at December 31, 2013	$ 2,428	$ 2,827	$ 827	$ 100	$ 16	$ 6,198
Charge-offs	(79)	(23)	–	(2)	–	(104)
Recoveries	15	41	–	–	–	56
Provision for loan losses	355	(537)	87	14	(16)	(97)
Balance at June 30, 2014	$ 2,719	$ 2,308	$ 914	$ 112	$ –	$ 6,053
Allowance on loans evaluated for impairment:						
Individually	$ 39	$ 74	$ –	$ 24	$ –	$ 137
Collectively	2,766	2,397	389	154	–	5,706
PCI**	–	–	–	–	–	–
Balance at June 30, 2015	$ 2,805	$ 2,471	$ 389	$ 178	$ –	$ 5,843
Individually	$ 44	$ 152	$ –	$ 24	$ –	$ 220
Collectively	2,498	2,338	863	121	–	5,820
PCI**	–	–	–	–	–	–
Balance at December 31, 2014	$ 2,542	$ 2,490	$ 863	$ 145	$ –	$ 6,040
Recorded investment in loans evaluated for impairment:						
Individually	$ 3,665	$ 1,808	$ –	$ 140	$ –	$ 5,613
Collectively	232,328	199,134	14,542	15,531	6,947	468,482
PCI**	1,245	529	–	64	–	1,838
Balance at June 30, 2015	$ 237,238	$ 201,471	$ 14,542	$ 15,735	$ 6,947	$ 475,933
Individually	$ 3,951	$ 3,204	$ –	$ 145	$ –	$ 7,300
Collectively	238,280	211,436	16,172	14,727	7,902	488,517
PCI**	1,481	555	–	72	–	2,108
Balance at December 31, 2014	$ 243,712	$ 215,195	$ 16,172	$ 14,944	$ 7,902	$ 497,925

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. There were no TDRs that occurred during the three and six months ended June 30, 2015.

	Three Months Ended June 30, 2014				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ –	$ 585	$ –	$ 585	
Production and intermediate-term	–	60	–	60	
Total	$ –	$ 645	$ –	$ 645	
Post-modification:					
Real estate mortgage	$ –	$ 585	$ –	$ 585	$ –
Production and intermediate-term	–	60	–	60	–
Total	$ –	$ 645	$ –	$ 645	$ –

	Six Months Ended June 30, 2014				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ –	$ 784	$ –	$ 784	
Production and intermediate-term	–	1,000	–	1,000	
Total	$ –	$ 1,784	$ –	$ 1,784	
Post-modification:					
Real estate mortgage	$ –	$ 784	$ –	$ 784	$ –
Production and intermediate-term	–	1,000	–	1,000	–
Total	$ –	$ 1,784	$ –	$ 1,784	$ –

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	$ 3,919	$ 4,185	$ 1,890	$ 2,104
Production and intermediate-term	1,309	1,427	1,021	453
Rural residential real estate	79	86	53	60
Total Loans	$ 5,307	$ 5,698	$ 2,964	$ 2,617
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	$ 537
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ –

Purchased Credit Impaired (PCI) Loans

For further discussion of the Association's accounting for PCI loans. See Note 2, *Summary of Significant Accounting Policies*, of the Association's most recent Annual Report.

The carrying amounts of loans acquired in a 2012 business combination included in the balance sheet amounts of loans receivable at period end were as follows:

	June 30, 2015	December 31, 2014
Real estate mortgage	$ 1,245	$ 1,481
Production and intermediate-term	529	555
Rural residential real estate	64	72
Total Loans	$ 1,838	$ 2,108

There was no allowance for loan losses related to these loans at either June 30, 2015 or December 31, 2014. For both the three and six month periods ended June 30, 2015, provision for loan losses on these loans was $1 compared with a reversal of $369 for both the three and six month periods ended June 30, 2014. See above for a summary of changes in the total allowance for loan losses for the periods ended June 30, 2015. There were no other loans acquired during 2015 or 2014 for which it was probable at acquisition that all contractually required payments would not be collected.

Certain of the loans acquired by the Association in the business combination that were within the scope of PCI loan guidance are accounted for using a cash basis method of income recognition because the Association cannot reasonably estimate cash flows expected to be collected. Substantially all of the loans acquired were real estate collateral dependent loans. As discussed previously, the real estate market is unpredictable, making the estimation of the amount and timing of a sale of loan collateral in essentially the same condition as received upon foreclosure indeterminate. As such, the Association does not have the information necessary to reasonably estimate cash flows expected to be collected to compute its yield. Management determined a nonaccrual classification would be the most appropriate and that no income would be recognized on these loans as is allowed under accounting guidance.

Note 3 — Investments

Investment Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

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

	June 30, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 27	$ –	$ –	$ 27	1.35%

	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 97	$ –	$ (1)	$ 96	1.39%

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

	June 30, 2015		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ 10	$ 10	1.35%
After one year through five years	17	17	1.35
After five years through ten years	–	–	–
After ten years	–	–	–
Total	$ 27	$ 27	1.35%

Expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following table shows the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified. There were no securities in a continuous unrealized loss position at June 30, 2015.

	December 31, 2014			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ –	$ –	$ 96	$ (1)

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

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

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

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

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

A substantial portion of these investments was in U.S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

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 2.61 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 $85 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 of the Association's financial instruments 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:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 7,262	$ –	$ –	$ 7,262	$ 7,262	$ (185)
Other property owned	1,220	–	–	1,377	1,377	5
Nonrecurring Assets	$ 8,482	$ –	$ –	$ 8,639	$ 8,639	$ (180)
Other Financial Instruments						
Assets:						
Cash	$ 1,371	$ 1,371	$ –	$ –	$ 1,371	
Investment securities, held-to-maturity	27	–	–	27	27	
Loans	457,893	–	–	452,265	452,265	
Other Financial Assets	$ 459,291	$ 1,371	$ –	$ 452,292	$ 453,663	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 387,838	$ –	$ –	$ 381,920	$ 381,920	
Other Financial Liabilities	$ 387,838	$ –	$ –	$ 381,920	$ 381,920	

	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	$ 8,964	$ –	$ –	$ 8,964	$ 8,964	$ 588
Other property owned	919	–	–	1,012	1,012	8
Nonrecurring Assets	$ 9,883	$ –	$ –	$ 9,976	$ 9,976	$ 596
Other Financial Instruments						
Assets:						
Cash	$ 2,933	$ 2,933	$ –	$ –	$ 2,933	
Investment securities, held-to-maturity	97	–	–	96	96	
Loans	477,865	–	–	472,417	472,417	
Other Financial Assets	$ 480,895	$ 2,933	$ –	$ 472,513	$ 475,446	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 411,161	$ –	$ –	$ 405,727	$ 405,727	
Other Financial Liabilities	$ 411,161	$ –	$ –	$ 405,727	$ 405,727	

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

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

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

Investment Securities

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

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

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

Inputs to Valuation Techniques

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

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 8,482	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement costs	*
			Comparability adjustments	*

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

Information about Other Financial Instrument Fair Value Measurements

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

*** The significant unobservable inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

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	$ 317	$ 293	$ 633	$ 587
401(k)	78	67	158	133
Other postretirement benefits	122	87	244	174
Total	$ 517	$ 447	$ 1,035	$ 894

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	$ –	$ 1,954	$ 1,954
Other postretirement benefits	52	54	106
Total	$ 52	$ 2,008	$ 2,060

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.