Farm Credit of the Virginias, ACA

THIRD QUARTER 2015

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CERTIFICATION

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

David E. Lawrence
Chief Executive Officer

David G. Sauer
Chief Financial Officer

Charles B. Leech, IV
Chairman of the Board

November 6, 2015

Farm Credit of the Virginias, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of September 30, 2015. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of September 30, 2015, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of September 30, 2015.

David E. Lawrence
Chief Executive Officer

David G. Sauer
Chief Financial Officer

November 6, 2015

Farm Credit of the Virginias, ACA

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

(dollars in thousands)

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

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including livestock, timber, poultry and field crops. 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 impacts the level of dependency on a given commodity.

As of September 30, 2015, the gross loan volume of the Association was $1,665,425 compared to $1,583,241 at December 31, 2014. Gross loan volume increased $82,184 or 5.19 percent when compared to gross loan volume at December 31, 2014. Net loans outstanding at September 30, 2015 were $1,651,484 as compared to $1,570,776 at December 31, 2014. The increase in loan volume was primarily due to an increase in real estate loans and an increase in operating credit lines.

There is an inherent risk in the extension of any type of credit. However, portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. As of September 30, 2015, nonaccrual loan volume was $28,406 compared to $29,329 at December 31, 2014. This was a decrease of $923 or 3.15%.

Other property owned totaled $5,245 at September 30, 2015 compared to $2,786 at December 31, 2014. The increase was primarily due to a couple of properties being acquired during the second quarter.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio. Factors considered in determining the allowance for loan losses were generally based on recent historical charge-off experience adjusted for relevant environmental factors. The allowance for loan losses at September 30, 2015 was $13,941. This was an increase of $1,476 when compared to the allowance amount at December 31, 2014. The increase was primarily due to the increase in loan volume.

RESULTS OF OPERATIONS

For the three months ended September 30, 2015

Net income for the three months ended September 30, 2015, totaled $8,604 as compared to $9,402 for the same period in 2014. This was a decrease of $798 or 8.49 percent. The decrease in net income was primarily due to an increase in the provision for loan losses.

Net interest income increased $507 or 4.28 percent for the three months ended September 30, 2015, as compared to the same period in 2014. The increase in net interest income was primarily due to the increase in loan volume.

Provision for loan losses for the three months ended September 30, 2015, totaled $1,000 compared to $0 for the same period last year. The increase in the provision was mainly driven by growth in loan volume. The Association continues to see improvement in the overall loan credit quality over the first nine months of 2015.

Noninterest income for the three months ended September 30, 2015 totaled $3,782 compared to $3,602 for the same period last year. This was an increase of $180 or 5.00 percent. The increase in noninterest income was primarily due to an increase in gains on loans sold into the secondary mortgage market and an increase in patronage refund from AgFirst Farm Credit Bank.

Noninterest expenses for the three months ended September 30, 2015 totaled $6,529. This was an increase of $559 or 9.36 percent compared to the same period of 2014. The increase was mainly due to an increase in employees' salaries and benefits expenses and losses recorded on other property owned.

For the nine months ended September 30, 2015

Net income for the nine months ended September 30, 2015 totaled $25,335 as compared to $25,434 for the same period in 2014. This was a decrease of $99 or 0.39 percent. The decrease in net income was primarily due to an increase in the provision for loan losses and higher operating expenses offset somewhat by higher net interest income and an increase in noninterest income.

Net interest income for the nine months increased $1,654 or 4.66% compared to the same period in 2014. The increase in net interest income was primarily due to an increase in loan volume.

Provision for loan losses for the nine months ended September 30, 2015, totaled $2,000 compared to $1,200 for the same period last year. An increase of $800. The provision was mainly driven by the increase in loan volume growth.

Noninterest income for the nine months ended September 30, 2015, totaled $10,858 as compared to $10,543 for the same period of 2014. This was an increase of $315. The increase in noninterest income was primarily due to an increase in gains on loans sold into the secondary mortgage.

Noninterest expenses for the nine months ended September 30, 2015 totaled $20,637. This was an increase of $1,366 or 7.09% percent compared to the same period of 2014. The increase was mainly due to increases in employees' salaries and benefits, and an increase in other operating expenses.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the 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 September 30, 2015 was $1,335,566 as compared to $1,275,765 at December 31, 2014.

CAPITAL RESOURCES

Total members' equity at September 30, 2015 totaled $361,618, an increase of $25,391, as compared to $336,227 at December 31, 2014. The increase in members' equity was primarily attributed to earnings.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of September 30, 2015, both the Association's total surplus ratio and core surplus ratio were 18.89 percent and the permanent capital ratio was 19.68 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

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

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

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

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise.
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System.
- To make System regulatory capital requirements more transparent.
- To meet the requirements of section 939A of the Dodd-Frank Act.

FINANCIAL REGULATORY REFORM

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 540-886-3435, ext. 5020, or writing David Sauer, Farm Credit of the Virginias, ACA, P.O. Box 899, Staunton, VA 24402, or accessing the website, *www.farmcreditofvirginias.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of the Virginias, ACA

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2015	December 31, 2014
	(unaudited)	(audited)
Assets		
Cash	**$ 3,178**	$ 6,038
Loans	**1,665,425**	1,583,241
Allowance for loan losses	**(13,941)**	(12,465)
Net loans	**1,651,484**	1,570,776
Loans held for sale	**1,671**	1,077
Accrued interest receivable	**13,133**	7,854
Investments in other Farm Credit institutions	**23,782**	24,613
Premises and equipment, net	**8,035**	8,092
Other property owned	**5,245**	2,786
Accounts receivable	**9,753**	28,685
Other assets	**2,661**	4,592
Total assets	**$ 1,718,942**	$ 1,654,513
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 1,335,566**	$ 1,275,765
Accrued interest payable	**3,031**	2,809
Patronage refunds payable	**158**	21,209
Accounts payable	**2,197**	2,074
Other liabilities	**16,372**	16,429
Total liabilities	**1,357,324**	1,318,286
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	**13,215**	13,159
Retained earnings		
Allocated	**92,568**	92,568
Unallocated	**255,862**	230,527
Accumulated other comprehensive income (loss)	**(27)**	(27)
Total members' equity	**361,618**	336,227
Total liabilities and members' equity	**$ 1,718,942**	$ 1,654,513

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

Farm Credit of the Virginias, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended September 30, 2015	For the three months ended September 30, 2014	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
Interest Income				
Loans	**$ 21,362**	$ 20,051	**$ 63,118**	$ 59,271
Investments	**—**	—	**—**	5
Total interest income	**21,362**	20,051	**63,118**	59,276
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**9,002**	8,198	**25,967**	23,779
Net interest income	**12,360**	11,853	**37,151**	35,497
Provision for loan losses	**1,000**	—	**2,000**	1,200
Net interest income after provision for loan losses	**11,360**	11,853	**35,151**	34,297
Noninterest Income				
Loan fees	**125**	142	**499**	471
Fees for financially related services	**5**	4	**19**	22
Patronage refunds from other Farm Credit institutions	**3,399**	3,199	**9,444**	9,451
Gains (losses) on sales of rural home loans, net	**252**	199	**721**	344
Gains (losses) on sales of premises and equipment, net	**25**	16	**34**	44
Gains (losses) on other transactions	**(34)**	33	**(15)**	61
Other noninterest income	**10**	9	**156**	150
Total noninterest income	**3,782**	3,602	**10,858**	10,543
Noninterest Expense				
Salaries and employee benefits	**4,257**	3,986	**13,191**	12,501
Occupancy and equipment	**264**	248	**939**	903
Insurance Fund premiums	**434**	376	**1,252**	1,081
(Gains) losses on other property owned, net	**120**	(11)	**340**	175
Other operating expenses	**1,454**	1,371	**4,915**	4,611
Total noninterest expense	**6,529**	5,970	**20,637**	19,271
Income before income taxes	**8,613**	9,485	**25,372**	25,569
Provision for income taxes	**9**	83	**37**	135
Net income	**8,604**	9,402	**25,335**	25,434
Other comprehensive income	**—**	—	**—**	—
Comprehensive income	**$ 8,604**	$ 9,402	**$ 25,335**	$ 25,434

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

Farm Credit of the Virginias, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 17,313	$ 92,568	$ 200,739	$ (10)	$ 310,610
Comprehensive income			25,434		25,434
Capital stock/participation certificates issued/(retired), net	(55)				(55)
Balance at September 30, 2014	$ 17,258	$ 92,568	$ 226,173	$ (10)	$ 335,989
Balance at December 31, 2014	**$ 13,159**	**$ 92,568**	**$ 230,527**	**$ (27)**	**$ 336,227**
Comprehensive income			**25,335**		**25,335**
Capital stock/participation certificates issued/(retired), net	**56**				**56**
Balance at September 30, 2015	**$ 13,215**	**$ 92,568**	**$ 255,862**	**$ (27)**	**$ 361,618**

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

Farm Credit of the Virginias, 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 the Virginias, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2014, are contained in the 2014 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation
In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

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

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

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

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

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

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

- 2015-15 Interest – In August, 2015, the FASB issued ASU 2015-15 Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. The update adds

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

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

- 2015-07 Fair Value Measurement – In May, 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Topic 820 permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. To address diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized, the amendments in this Update remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. The guidance is to be applied retrospectively to all periods presented. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations, but will require modifications to footnote disclosures.

- Accounting Standards Update 2015-02 Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments in this Update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: 1. Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, 2. Eliminate the presumption that a general partner should consolidate a limited partnership, 3. Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, 4. Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations.

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

Potential effects of ASUs issued in previous periods:

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

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

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

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

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

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

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

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:

	September 30, 2015	December 31, 2014
Real estate mortgage	$ 1,150,454	$ 1,093,553
Production and intermediate-term	415,257	391,188
Loans to cooperatives	121	–
Processing and marketing	34,186	37,375
Farm-related business	14,275	12,659
Communication	5,545	5,964
Rural residential real estate	45,587	42,502
Total Loans	$ 1,665,425	$ 1,583,241

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present participation loan balances at periods ended:

September 30, 2015	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 3,390	$ 89,443	$ –	$ –	$ –	$ –	$ 3,390	$ 89,443
Production and intermediate-term	4,219	3,387	539	–	–	–	4,758	3,387
Processing and marketing	4,851	–	239	–	–	–	5,090	–
Farm-related business	494	190	28	–	–	–	522	190
Communication	5,557	–	–	–	–	–	5,557	–
Total	$ 18,511	$ 93,020	$ 806	$ –	$ –	$ –	$ 19,317	$ 93,020

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	$ –	$ 99,978	$ –	$ –	$ –	$ –	$ –	$ 99,978
Production and intermediate-term	3,296	5,992	570	–	–	–	3,866	5,992
Processing and marketing	6,745	–	–	–	–	–	6,745	–
Farm-related business	–	223	39	–	–	–	39	223
Communication	5,974	–	–	–	–	–	5,974	–
Total	$ 16,015	$ 106,193	$ 609	$ –	$ –	$ –	$ 16,624	$ 106,193

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

	September 30, 2015			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 28,157	$ 64,544	$ 1,057,753	$ 1,150,454
Production and intermediate-term	147,224	156,891	111,142	415,257
Loans to cooperatives	53	–	68	121
Processing and marketing	14,197	14,526	5,463	34,186
Farm-related business	2,015	4,958	7,302	14,275
Communication	–	5,545	–	5,545
Rural residential real estate	4,173	1,384	40,030	45,587
Total Loans	$ 195,819	$ 247,848	$ 1,221,758	$ 1,665,425
Percentage	11.76%	14.88%	73.36%	100.00%

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

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

	September 30, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	95.39%	94.06%
OAEM	1.65	2.26
Substandard/doubtful/loss	2.96	3.68
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	94.92%	93.68%
OAEM	2.37	2.47
Substandard/doubtful/loss	2.71	3.85
	100.00%	100.00%
Loans to cooperatives:	100.00%	100.00%
Acceptable	–	–
OAEM	–	–
Substandard/doubtful/loss	100.00%	100.00%
Processing and marketing:		
Acceptable	59.07%	67.39%
OAEM	27.66	17.42
Substandard/doubtful/loss	13.27	15.19
	100.00%	100.00%

	September 30, 2015	December 31, 2014
Farm-related business:		
Acceptable	98.02%	97.65%
OAEM	–	–
Substandard/doubtful/loss	1.98	2.35
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	96.19%	95.97%
OAEM	1.83	1.42
Substandard/doubtful/loss	1.98	2.61
	100.00%	100.00%
Total Loans:		
Acceptable	94.60%	93.44%
OAEM	2.34	2.62
Substandard/doubtful/loss	3.06	3.94
	100.00%	100.00%

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

	September 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	$ 7,437	$ 5,182	$ 12,619	$ 1,145,837	$ 1,158,456	$ 175
Production and intermediate-term	1,964	5,109	7,073	412,958	420,031	245
Loans to cooperatives	–	–	–	121	121	–
Processing and marketing	524	–	524	33,745	34,269	–
Farm-related business	–	–	–	14,329	14,329	–
Communication	–	–	–	5,545	5,545	–
Rural residential real estate	760	168	928	44,879	45,807	–
Total	$ 10,685	$ 10,459	$ 21,144	$ 1,657,414	$ 1,678,558	$ 420

	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	$ 7,309	$ 5,383	$ 12,692	$ 1,085,727	$ 1,098,419	$ 370
Production and intermediate-term	3,014	2,649	5,663	388,302	393,965	–
Processing and marketing	–	–	–	37,419	37,419	–
Farm-related business	39	299	338	12,345	12,683	–
Communication	–	–	–	5,965	5,965	–
Rural residential real estate	980	245	1,225	41,419	42,644	–
Total	$ 11,342	$ 8,576	$ 19,918	$ 1,571,177	$ 1,591,095	$ 370

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

	September 30, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	$ 17,564	$ 20,207
Production and intermediate-term	7,502	5,477
Farm-related business	2,827	3,046
Rural residential real estate	513	599
Total	$ 28,406	$ 29,329
Accruing restructured loans:		
Real estate mortgage	$ 411	$ 411
Production and intermediate-term	697	462
Total	$ 1,108	$ 873
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 175	$ 370
Production and intermediate-term	245	–
Total	$ 420	$ 370
Performing impaired loans:		
Real estate mortgage	$ 2,126	$ 2,399
Production and intermediate-term	80	2,095
Processing and marketing	4,549	5,684
Total	$ 6,755	$ 10,178
Total nonperforming loans	$ 36,689	$ 40,750
Other property owned	5,245	2,786
Total nonperforming assets	$ 41,934	$ 43,536
Nonaccrual loans as a percentage of total loans	1.71%	1.85%
Nonperforming assets as a percentage of total loans and other property owned	2.51%	2.74%
Nonperforming assets as a percentage of capital	11.60%	12.95%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	September 30, 2015	December 31, 2014
Impaired nonaccrual loans:		
Current as to principal and interest	$ 16,657	$ 18,758
Past due	11,749	10,571
Total	28,406	29,329
Impaired accrual loans:		
Performing	6,755	10,178
Restructured	1,108	873
90 days or more past due	420	370
Total	8,283	11,421
Total impaired loans	$ 36,689	$ 40,750

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

Impaired loans	September 30, 2015 Recorded Investment	Unpaid Principal Balance	Related Allowance	Quarter Ended September 30, 2015 Average Impaired Loans	Interest Income Recognized on Impaired Loans	Nine Months Ended September 30, 2015 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:							
Real estate mortgage	$ 11,203	$ 11,688	$ 2,127	$ 11,577	$ 115	$ 11,577	$ 398
Production and intermediate-term	4,489	4,953	795	4,638	46	4,639	160
Processing and marketing	–	–	–	–	–	–	–
Farm-related business	2,827	3,401	171	2,921	29	2,921	100
Rural residential real estate	–	–	–	–	–	–	–
Total	$ 18,519	$ 20,042	$ 3,093	$ 19,136	$ 190	$ 19,137	$ 658
With no related allowance for credit losses:							
Real estate mortgage	$ 9,073	$ 11,179	$ –	$ 9,374	$ 93	$ 9,374	$ 323
Production and intermediate-term	4,035	6,302	–	4,171	42	4,170	143
Processing and marketing	4,549	4,534	–	4,701	47	4,701	162
Farm-related business	–	–	–	–	–	–	–
Rural residential real estate	513	682	–	530	5	530	18
Total	$ 18,170	$ 22,697	$ –	$ 18,776	$ 187	$ 18,775	$ 646
Total:							
Real estate mortgage	$ 20,276	$ 22,867	$ 2,127	$ 20,951	$ 208	$ 20,951	$ 721
Production and intermediate-term	8,524	11,255	795	8,809	88	8,809	303
Processing and marketing	4,549	4,534	–	4,701	47	4,701	162
Farm-related business	2,827	3,401	171	2,921	29	2,921	100
Rural residential real estate	513	682	–	530	5	530	18
Total	$ 36,689	$ 42,739	$ 3,093	$ 37,912	$ 377	$ 37,912	$ 1,304

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	$ 10,436	$ 10,798	$ 1,456	$ 8,949	$ 557
Production and intermediate-term	4,584	5,052	1,382	3,931	244
Processing and marketing	–	–	–	–	–
Farm-related business	3,046	3,494	187	2,611	162
Rural residential real estate	143	163	15	123	8
Total	$ 18,209	$ 19,507	$ 3,040	$ 15,614	$ 971
With no related allowance for credit losses:					
Real estate mortgage	$ 12,951	$ 15,100	$ –	$ 11,104	$ 691
Production and intermediate-term	3,450	5,826	–	2,958	185
Processing and marketing	5,684	5,684	–	4,874	303
Farm-related business	–	–	–	–	–
Rural residential real estate	456	636	–	391	24
Total	$ 22,541	$ 27,246	$ –	$ 19,327	$ 1,203
Total:					
Real estate mortgage	$ 23,387	$ 25,898	$ 1,456	$ 20,053	$ 1,248
Production and intermediate-term	8,034	10,878	1,382	6,889	429
Processing and marketing	5,684	5,684	–	4,874	303
Farm-related business	3,046	3,494	187	2,611	162
Rural residential real estate	599	799	15	514	32
Total	$ 40,750	$ 46,753	$ 3,040	$ 34,941	$ 2,174

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 June 30, 2015	$ 6,113	$ 6,134	$ 478	$ –	$ 250	$ 12,975
Charge-offs	–	(53)	–	–	–	(53)
Recoveries	2	17	–	–	–	19
Provision for loan losses	760	97	143	–	–	1,000
Balance at September 30, 2015	$ 6,875	$ 6,195	$ 621	$ –	$ 250	$ 13,941
Balance at December 31, 2014	$ 5,739	$ 5,924	$ 537	$ –	$ 265	$ 12,465
Charge-offs	(141)	(576)	–	–	–	(717)
Recoveries	14	179	–	–	–	193
Provision for loan losses	1,263	668	84	–	(15)	2,000
Balance at September 30, 2015	$ 6,875	$ 6,195	$ 621	$ –	$ 250	$ 13,941
Balance at June 30, 2014	$ 5,952	$ 5,596	$ 1,280	$ –	$ 222	$ 13,050
Charge-offs	(434)	(191)	–	–	(6)	(631)
Recoveries	150	211	5	–	–	366
Provision for loan losses	79	(90)	(6)	–	17	–
Balance at September 30, 2014	$ 5,747	$ 5,526	$ 1,279	$ –	$ 233	$ 12,785
Balance at December 31, 2013	$ 5,184	$ 4,967	$ 1,532	$ –	$ 195	$ 11,878
Charge-offs	(640)	(321)	–	–	(6)	(967)
Recoveries	410	258	5	–	1	674
Provision for loan losses	793	622	(258)	–	43	1,200
Balance at September 30, 2014	$ 5,747	$ 5,526	$ 1,279	$ –	$ 233	$ 12,785
Allowance on loans evaluated for impairment:						
Individually	$ 2,127	$ 795	$ 171	$ –	$ –	$ 3,093
Collectively	4,748	5,400	450	–	250	10,848
Balance at September 30, 2015	$ 6,875	$ 6,195	$ 621	$ –	$ 250	$ 13,941
Individually	$ 1,456	$ 1,382	$ 187	$ –	$ 15	$ 3,040
Collectively	4,283	4,542	350	–	250	9,425
Balance at December 31, 2014	$ 5,739	$ 5,924	$ 537	$ –	$ 265	$ 12,465
Recorded investment in loans evaluated for impairment:						
Individually	$ 20,274	$ 8,926	$ 7,376	$ –	$ 513	$ 37,089
Collectively	1,138,182	411,105	41,343	5,545	45,294	1,641,469
Balance at September 30, 2015	$ 1,158,456	$ 420,031	$ 48,719	$ 5,545	$ 45,807	$ 1,678,558
Individually	$ 23,012	$ 7,989	$ 8,729	$ –	$ 600	$ 40,330
Collectively	1,075,407	385,976	41,373	5,965	42,044	1,550,765
Balance at December 31, 2014	$ 1,098,419	$ 393,965	$ 50,102	$ 5,965	$ 42,644	$ 1,591,095

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

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

	Three Months Ended September 30, 2015				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ 305	$ –	$ –	$ 305	
Production and intermediate-term	–	18	–	18	
Total	$ 305	$ 18	$ –	$ 323	
Post-modification:					
Real estate mortgage	$ 365	$ –	$ –	$ 365	$ –
Production and intermediate-term	–	18	–	18	–
Total	$ 365	$ 18	$ –	$ 383	$ –

Outstanding Recorded Investment	Nine Months Ended September 30, 2015 Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ 475	$ 416	$ –	$ 891	
Production and intermediate-term	–	1,649	–	1,649	
Total	$ 475	$ 2,065	$ –	$ 2,540	
Post-modification:					
Real estate mortgage	$ 535	$ 416	$ –	$ 951	$ –
Production and intermediate-term	–	1,649	–	1,649	–
Total	$ 535	$ 2,065	$ –	$ 2,600	$ –

Outstanding Recorded Investment	Nine months ended September 30, 2014 Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Production and intermediate-term	$ –	$ 486	$ –	$ 486	
Total	$ –	$ 486	$ –	$ 486	
Post-modification:					
Production and intermediate-term	$ –	$ 486	$ –	$ 486	$ –
Total	$ –	$ 486	$ –	$ 486	$ –

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

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

	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Real estate mortgage	$ –	$	$ 206	$
Production and intermediate-term	788	–	1,586	–
Total	$ 788	$ –	$ 1,792	$ –

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 September 30, 2015	December 31, 2014	Nonaccrual TDRs September 30, 2015	December 31, 2014
Real estate mortgage	$ 1,365	$ 908	$ 954	$ 498
Production and intermediate-term	2,101	1,015	1,404	553
Farm related business	2,827	3,046	2,827	3,046
Rural residential real estate	37	41	37	41
Total Loans	$ 6,330	$ 5,010	$ 5,222	$ 4,138
Additional commitments to lend	$ –	$ –		

The following table presents information as of period end:

	September 30, 2015
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	$ –
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ 936

Note 3 — Investments

Investment 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 9.49 percent of the issued stock of the Bank as of September 30, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $30.0 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $254 million for the first nine months of 2015. In addition, the Association has no investment related to other Farm Credit institutions.

Note 4 — Debt

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

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component *(a)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Employee Benefit Plans:				
Balance at beginning of period	$ (27)	$ (10)	$ (27)	$ (10)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	–	–	–	–
Net current period other comprehensive income	–	–	–	–
Balance at end of period	$ (27)	$ (10)	$ (27)	$ (10)

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

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	**2014**	**2015**	**2014**	**Income Statement Line Item**
Defined Benefit Pension Plans:					
Periodic pension costs	$ –	$ –	$ –	$ –	See Note 7.
Net amounts reclassified	$ –	$ –	$ –	$ –	

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

Note 6 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

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

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 2 or Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Fair values are estimated at least annually, or when information suggests a significant change in value, for assets measured at fair value on a nonrecurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	At or for the Nine Months Ended September 30, 2015					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 1,340	$ 1,340	$ –	$ –	$ 1,340	
Recurring Assets	$ 1,340	$ 1,340	$ –	$ –	$ 1,340	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 33,596	$ –	$ –	$ 33,596	$ 33,596	$ (578)
Other property owned	5,245	–	–	5,804	5,804	(238)
Nonrecurring Assets	$ 38,841	$ –	$ –	$ 39,400	$ 39,400	$ (816)
Other Financial Instruments						
Assets:						
Cash	$ 3,178	$ 3,178	$ –	$ –	$ 3,178	
Loans	1,619,559	–	–	1,618,432	1,618,432	
Other Financial Assets	$ 1,622,737	$ 3,178	$ –	$ 1,618,432	$ 1,621,610	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,335,566	$ –	$ –	$ 1,331,104	$ 1,331,104	
Other Financial Liabilities	$ 1,335,566	$ –	$ –	$ 1,331,104	$ 1,331,104	

	At or for the Year Ended December 31, 2014					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 1,224	$ 1,224	$ –	$ –	$ 1,224	
Recurring Assets	$ 1,224	$ 1,224	$ –	$ –	$ 1,224	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 37,710	$ –	$ –	$ 37,710	$ 37,710	$ (226)
Other property owned	2,786	–	–	3,073	3,073	(166)
Nonrecurring Assets	$ 40,496	$ –	$ –	$ 40,783	$ 40,783	$ (392)
Other Financial Instruments						
Assets:						
Cash	$ 6,038	$ 6,038	$ –	$ –	$ 6,038	
Loans	1,534,143	–	–	1,540,271	1,540,271	
Other Financial Assets	$ 1,540,181	$ 6,038	$ –	$ 1,540,271	$ 1,546,309	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,275,765	$ –	$ –	$ 1,264,974	$ 1,264,974	
Other Financial Liabilities	$ 1,275,765	$ –	$ –	$ 1,264,974	$ 1,264,974	

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	$ 39,400	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*

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

Information about Other Financial Instrument Fair Value Measurements

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

Note 7 — Employee Benefit Plans

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Pension	$ 866	$ 870	$ 2,600	$ 2,611
401(k)	140	93	498	338
Other postretirement benefits	288	172	864	516
Total	$ 1,294	$ 1,135	$ 3,962	$ 3,465

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

	Actual YTD Through 9/30/15	Projected Contributions For Remainder of 2015	Projected Total Contributions 2015
Pension	$ 7	$ 3,544	$ 3,551
Other postretirement benefits	324	112	436
Total	$ 331	$ 3,656	$ 3,987

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

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

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Subsequent Events

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

On October 19, 2015, AgFirst's Board of Directors declared a special patronage distribution to be paid on January 1, 2016. The Association will receive approximately $9,240 which will be recorded in October 2015 as patronage refunds from other Farm Credit institutions.