Farm Credit of the Virginias, ACA

FIRST QUARTER 2015

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2015 quarterly report of Farm Credit of 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

May 8, 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 March 31, 2015. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of March 31, 2015, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2015.

David E. Lawrence
Chief Executive Officer

David G. Sauer
Chief Financial Officer

May 8, 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 March 31, 2015. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2014 Annual Report of the Association. 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 March 31, 2015, the gross loan volume of the Association was $1,605,541 compared to $1,583,241 at December 31, 2014. Gross loan volume increased $22,300 or 1.41 percent when compared to gross loan volume at December 31, 2014. Net loans outstanding at March 31, 2015 were $1,593,087 as compared to $1,570,776 at December 31, 2014. The increase in loan volume was primarily due to an increase in real estate and farm loans.

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 March 31, 2015, nonaccrual loan volume was $29,553 compared to $29,329 at December 31, 2014. Nonaccrual loan volume at March 31, 2015 showed very little change compared to December 31, 2014.

Other property owned totaled $2,439 at March 31, 2015. This was a decrease of $347 when compared to December 31, 2014. The decrease was primarily due to a couple of properties being sold and writing down the carrying value of a property.

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 March 31, 2015 was $12,454. This was slight decrease of $11 compared when compared to the allowance amount at December 31, 2014.

RESULTS OF OPERATIONS

For the three months ended March 31, 2015

Net income for the three months ended March 31, 2015, totaled $8,700 as compared to $8,540 for the same period in 2014. This was an increase of $160 or 1.87 percent. The increase in net income was primarily due to an increase in net interest income offset somewhat by an increase in noninterest expenses.

Net interest income increased $1,198 or 6.12 percent for the three months ended March 31, 2015, as compared to the same period in 2014. The increase in net interest income was primarily due to an increase in loan volume.

There was no provision made for loan losses for the three months ended March 31, 2015 and for the three months ended March 31, 2014. No provision was made during the quarter due to credit quality of loans being stable and no increase in nonaccrual loan volume.

Noninterest income for the three months ended March 31, 2015 totaled $3,602 compared to $3,494 for the same period last year. This was an increase of $108 or 3.09 percent. The increase in noninterest income was primarily due to an increase in gains on loans sold into the secondary mortgage market.

Noninterest expenses for the three months ended March 31, 2015 totaled $7,308. This was an increase of $488 or 7.16 percent compared to the same period of 2014. The increase was mainly due to an increase in employees' salaries and benefits expenses and losses recognized on other properties owned.

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 March 31, 2015 was $1,267,310 as compared to $1,275,765 at December 31, 2014.

CAPITAL RESOURCES

Total members' equity at March 31, 2015 totaled $344,961, an increase of $8,734, 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 March 31, 2015, both the Association's total surplus ratio and core surplus ratio were 18.91 percent and the permanent capital ratio was 19.83 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 Act.
- To modernize the investment eligibility criteria for System banks.
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

On September 4, 2014, the FCA published a proposed rule in the Federal Register to modify the regulatory capital requirements for System banks and associations. The public comment period ended on February 16, 2015. The stated objectives of the proposed rule are as follows:

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

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)	March 31, 2015	December 31, 2014
	(unaudited)	*(audited)*
Assets		
Cash	**$ 4,081**	$ 6,038
Loans	**1,605,541**	1,583,241
Allowance for loan losses	**(12,454)**	(12,465)
Net loans	**1,593,087**	1,570,776
Loans held for sale	**1,300**	1,077
Accrued interest receivable	**10,917**	7,854
Investments in other Farm Credit institutions	**24,313**	24,613
Premises and equipment, net	**8,044**	8,092
Other property owned	**2,439**	2,786
Accounts receivable	**3,455**	28,685
Other assets	**3,941**	4,592
Total assets	**$ 1,651,577**	$ 1,654,513
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 1,267,310**	$ 1,275,765
Accrued interest payable	**2,735**	2,809
Patronage refunds payable	**1,153**	21,209
Accounts payable	**960**	2,074
Other liabilities	**34,458**	16,429
Total liabilities	**1,306,616**	1,318,286
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	**13,193**	13,159
Retained earnings		
Allocated	**92,568**	92,568
Unallocated	**239,227**	230,527
Accumulated other comprehensive income (loss)	**(27)**	(27)
Total members' equity	**344,961**	336,227
Total liabilities and members' equity	**$ 1,651,577**	$ 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 March 31, 2015	2014
Interest Income		
Loans	**$ 20,765**	$ 19,562
Investments	**—**	5
Total interest income	**20,765**	19,567
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	**8,345**	7,674
Net interest income	**12,420**	11,893
Provision for loan losses	**—**	—
Net interest income after provision for loan losses	**12,420**	11,893
Noninterest Income		
Loan fees	**122**	168
Fees for financially related services	**5**	5
Patronage refunds from other Farm Credit institutions	**3,107**	3,092
Gains (losses) on sales of rural home loans, net	**222**	82
Gains (losses) on sales of premises and equipment, net	**—**	20
Gains (losses) on other transactions	**15**	1
Other noninterest income	**131**	126
Total noninterest income	**3,602**	3,494
Noninterest Expense		
Salaries and employee benefits	**4,665**	4,429
Occupancy and equipment	**304**	291
Insurance Fund premiums	**402**	346
(Gains) losses on other property owned, net	**166**	17
Other operating expenses	**1,771**	1,737
Total noninterest expense	**7,308**	6,820
Income before income taxes	**8,714**	8,567
Provision for income taxes	**14**	27
Net income	**8,700**	8,540
Other comprehensive income	**—**	—
Comprehensive income	**$ 8,700**	$ 8,540

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			8,540		8,540
Capital stock/participation certificates issued/(retired), net	4				4
Balance at March 31, 2014	$ 17,317	$ 92,568	$ 209,279	$ (10)	$ 319,154
Balance at December 31, 2014	**$ 13,159**	**$ 92,568**	**$ 230,527**	**$ (27)**	**$ 336,227**
Comprehensive income			**8,700**		**8,700**
Capital stock/participation certificates issued/(retired), net	**34**				**34**
Balance at March 31, 2015	**$ 13,193**	**$ 92,568**	**$ 239,227**	**$ (27)**	**$ 344,961**

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 (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.

Accounting Standards Effective During the Period

There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below. For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

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

- 2014-14 Classification of Certain Government-Guaranteed Mortgage Loans – The Association did not have a significant amount of loans that met the criteria of the guidance.
- 2014-11 Repurchase-to-Maturity Transactions – The Association did not have a significant amount of transactions that met the criteria of the guidance.
- 2014-08 Discontinued Operations – The Association has not had and does not anticipate any significant disposals.
- 2014-04 Reclassification of Consumer Mortgage Loans – The criteria of the standard were not significantly different from the Association's policy in place at adoption. See Note 2, *Loans and Allowance for Loan Losses*, for the additional disclosures required by this guidance.

Note 2 — Loans and Allowance for Loan Losses

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

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

A summary of loans outstanding at period end follows:

	March 31, 2015	December 31, 2014
Real estate mortgage	$ 1,112,784	$ 1,093,553
Production and intermediate-term	392,450	391,188
Loans to cooperatives	146	–
Processing and marketing	37,582	37,375
Farm-related business	14,443	12,659
Communication	5,796	5,964
Rural residential real estate	42,340	42,502
Total Loans	$ 1,605,541	$ 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:

	March 31, 2015							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ –	$ 95,306	$ –	$ –	$ –	$ –	$ –	$ 95,306
Production and intermediate-term	2,980	3,967	537	–	–	–	3,517	3,967
Processing and marketing	6,261	–	260	–	–	–	6,521	–
Farm-related business	915	212	34	–	–	–	949	212
Communication	5,810	–	–	–	–	–	5,810	–
Total	$ 15,966	$ 99,485	$ 831	$ –	$ –	$ –	$ 16,797	$ 99,485

	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:

	March 31, 2015			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 32,310	$ 65,507	$ 1,014,967	$ 1,112,784
Production and intermediate-term	135,227	149,931	107,292	392,450
Loans to cooperatives	–	77	69	146
Processing and marketing	20,629	9,665	7,288	37,582
Farm-related business	1,350	2,913	10,180	14,443
Communication	–	5,796	–	5,796
Rural residential real estate	4,077	1,313	36,950	42,340
Total Loans	$ 193,593	$ 235,202	$ 1,176,746	$ 1,605,541
Percentage	$ 12.06%	14.65%	73.29%	100.00%

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

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

	March 31, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	94.49%	94.06%
OAEM	2.02	2.26
Substandard/doubtful/loss	3.49	3.68
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	93.72%	93.68%
OAEM	2.36	2.47
Substandard/doubtful/loss	3.92	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	65.99%	67.39%
OAEM	18.91	17.42
Substandard/doubtful/loss	15.10	15.19
	100.00%	100.00%

	March 31, 2015	December 31, 2014
Farm-related business:		
Acceptable	97.98%	97.65%
OAEM	–	–
Substandard/doubtful/loss	2.02	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	96.49%	95.97%
OAEM	1.30	1.42
Substandard/doubtful/loss	2.21	2.61
	100.00%	100.00%
Total Loans:		
Acceptable	93.74%	93.44%
OAEM	2.45	2.62
Substandard/doubtful/loss	3.81	3.94
	100.00%	100.00%

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

March 31, 2015

	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 7,694	$ 5,860	$ 13,554	$ 1,106,289	$ 1,119,843	$ –
Production and intermediate-term	2,524	4,322	6,846	389,170	396,016	–
Loans to cooperatives	–	–	–	146	146	–
Processing and marketing	–	–	–	37,637	37,637	–
Farm-related business	–	293	293	14,191	14,484	–
Communication	–	–	–	5,797	5,797	–
Rural residential real estate	462	199	661	41,874	42,535	–
Total	$ 10,680	$ 10,674	$ 21,354	$ 1,595,104	$ 1,616,458	$ –

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:

	March 31, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	$ 19,801	$ 20,207
Production and intermediate-term	6,171	5,477
Farm-related business	2,979	3,046
Rural residential real estate	602	599
Total	$ 29,553	$ 29,329
Accruing restructured loans:		
Real estate mortgage	$ 404	$ 411
Production and intermediate-term	1,249	462
Total	$ 1,653	$ 873
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ 370
Total	$ –	$ 370
Performing impaired loans:		
Real estate mortgage	$ 859	$ 2,399
Production and intermediate-term	2,376	2,095
Processing and marketing	5,683	5,684
Total	$ 8,918	$ 10,178
Total nonperforming loans	$ 40,124	$ 40,750
Other property owned	2,439	2,786
Total nonperforming assets	$ 42,563	$ 43,536
Nonaccrual loans as a percentage of total loans	1.84%	1.85%
Nonperforming assets as a percentage of total loans and other property owned	2.65%	2.74%
Nonperforming assets as a percentage of capital	12.34%	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.

	March 31, 2015	December 31, 2014
Impaired nonaccrual loans:		
Current as to principal and interest	$ 16,933	$ 18,758
Past due	12,620	10,571
Total	29,553	29,329
Impaired accrual loans:		
Performing	8,918	10,178
Restructured	1,653	873
90 days or more past due	–	370
Total	10,571	11,421
Total impaired loans	$ 40,124	$ 40,750

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

	March 31, 2015			Quarter Ended March 31, 2015	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real estate mortgage	$ 10,959	$ 11,462	$ 1,416	$ 10,922	$ 152
Production and intermediate-term	4,802	5,176	1,511	4,786	67
Processing and marketing	–	–	–	–	–
Farm-related business	2,979	3,463	154	2,969	41
Rural residential real estate	–	–	–	–	–
Total	$ 18,740	$ 20,101	$ 3,081	$ 18,677	$ 260
With no related allowance for credit losses:					
Real estate mortgage	$ 10,105	$ 12,092	$ –	$ 10,072	$ 141
Production and intermediate-term	4,994	7,217	–	4,977	69
Processing and marketing	5,683	5,683	–	5,664	79
Farm-related business	–	–	–	–	–
Rural residential real estate	602	788	–	600	8
Total	$ 21,384	$ 25,780	$ –	$ 21,313	$ 297
Total:					
Real estate mortgage	$ 21,064	$ 23,554	$ 1,416	$ 20,994	$ 293
Production and intermediate-term	9,796	12,393	1,511	9,763	136
Processing and marketing	5,683	5,683	–	5,664	79
Farm-related business	2,979	3,463	154	2,969	41
Rural residential real estate	602	788	–	600	8
Total	$ 40,124	$ 45,881	$ 3,081	$ 39,990	$ 557

	December 31, 2014			Year Ended December 31, 2014	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real estate mortgage	$ 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 December 31, 2014	$ 5,739	$ 5,924	$ 537	$ –	$ 265	$ 12,465
Charge-offs	–	(108)	–	–	–	(108)
Recoveries	8	89	–	–	–	97
Provision for loan losses	(100)	148	(33)	–	(15)	–
Balance at March 31, 2015	$ 5,647	$ 6,053	$ 504	$ –	$ 250	$ 12,454
Balance at December 31, 2013	$ 5,184	$ 4,967	$ 1,532	$ –	$ 195	$ 11,878
Charge-offs	(118)	(88)	–	–	–	(206)
Recoveries	249	23	–	–	–	272
Provision for loan losses	184	(93)	(46)	–	(45)	–
Balance at March 31, 2014	$ 5,499	$ 4,809	$ 1,486	$ –	$ 150	$ 11,944
Allowance on loans evaluated for impairment:						
Individually	$ 1,416	$ 1,511	$ 154	$ –	$ –	$ 3,081
Collectively	4,231	4,542	350	–	250	9,373
Balance at March 31, 2015	$ 5,647	$ 6,053	$ 504	$ –	$ 250	$ 12,454
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	$ 21,065	$ 9,845	$ 8,661	$ –	$ 602	$ 40,173
Collectively	1,098,778	386,171	43,606	5,797	41,933	1,576,285
Balance at March 31, 2015	$ 1,119,843	$ 396,016	$ 52,267	$ 5,797	$ 42,535	$ 1,616,458
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 March 31, 2014.

	Three months ended March 31, 2015				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Production and intermediate-term	$ –	$ 837	$ –	$ 837	
Total	$ –	$ 837	$ –	$ 837	
Post-modification:					
Production and intermediate-term	$ –	$ 837	$ –	$ 837	$ –
Total	$ –	$ 837	$ –	$ 837	$ –

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 March 31,	
	2015	2014
Production and intermediate-term	$ 1,084	$ –
Total	$ 1,084	$ –

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Real estate mortgage	$ 491	$ 908	$ 87	$ 498
Production and intermediate-term	1,491	1,015	242	553
Farm related business	2,979	3,046	2,979	3,046
Rural residential real estate	40	41	40	41
Total Loans	$ 5,001	$ 5,010	$ 3,348	$ 4,138
Additional commitments to lend	$ –	$ –		

The following table presents information as of period end:

	March 31, 2015
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	$ –
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ 2,552

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 9.72 percent of the issued stock of the Bank as of March 31, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.9 billion and shareholders' equity totaled $2.3 billion. The Bank's earnings were $83 million for the first three months of 2015. In addition, the Association has 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)*	
	For the Three Months Ended March 31,	
	2015	2014
Employee Benefit Plans:		
Balance at beginning of period	$ (27)	$ (10)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	–	–
Net current period other comprehensive income	–	–
Balance at end of period	$ (27)	$ (10)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	For the Three Months Ended March 31,		
	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.

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

The classifications within the fair value hierarchy are as follows:

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

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets and liabilities measured at fair value on a recurring basis.

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

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

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

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

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

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

Inputs to Valuation Techniques

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

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 39,750	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

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

At or for the Three Months Ended March 31, 2015

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 1,316	$ –	$ –	$ 1,316	$ 1,316	
Recurring Assets	$ 1,316	$ –	$ –	$ 1,316	$ 1,316	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 37,043	$ –	$ –	$ 37,043	$ 37,043	$ (52)
Other property owned	2,439	–	–	2,707	2,707	(161)
Nonrecurring Assets	$ 39,482	$ –	$ –	$ 39,750	$ 39,750	$ (213)
Other Financial Instruments						
Assets:						
Cash	$ 4,081	$ 4,081	$ –	$ –	$ 4,081	
Loans	1,557,344	–	–	1,569,314	1,569,314	
Other Financial Assets	$ 1,561,425	$ 4,081	$ –	$ 1,569,314	$ 1,573,395	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,267,310	$ –	$ –	$ 1,263,757	$ 1,263,757	
Other Financial Liabilities	$ 1,267,310	$ –	$ –	$ 1,263,757	$ 1,263,757	

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	

Note 7 — Employee Benefit Plans

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

	For the three months ended March 31, 2015	For the three months ended March 31, 2014
Pension	$ 867	$ 870
401(k)	221	152
Other postretirement benefits	288	172
Total	$ 1,376	$ 1,194

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

	Actual YTD Through 3/31/15	Projected Contributions For Remainder of 2015	Projected Total Contributions 2015
Pension	$ 2	$ 3,549	$ 3,551
Other postretirement benefits	109	327	436
Total	$ 111	$ 3,876	$ 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 there were none requiring disclosure through May 8, 2015, which was the date the financial statements were issued.