AgGeorgia Farm Credit, ACA

FIRST QUARTER 2015

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CERTIFICATION

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

Jack C. Drew, Jr.
Chief Executive Officer

Carrie B. McCall
Chief Financial Officer

J. Dan Raines, Jr.
Chairman of the Board

May 8, 2015

AgGeorgia Farm Credit, 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.

Jack C. Drew, Jr.
Chief Executive Officer

Carrie B. McCall
Chief Financial Officer

May 8, 2015

AgGeorgia Farm Credit, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of AgGeorgia Farm Credit, ACA (Association or AgGeorgia) for the period ended March 31, 2015. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2014 Annual Report of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for 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 poultry, cotton, timber, peanuts and livestock. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2015 was $802,834, a decrease of $27,811 as compared to $830,645 at December 31, 2014. Net loans outstanding at March 31, 2015 were $796,746 as compared to $824,646 at December 31, 2014. This decrease in loan volume is related to a tightening of credit underwriting standards and declining volume particularly in the poultry sector due to difficulty obtaining required guarantees. Net loans accounted for 94.9 percent of total assets at March 31, 2015, as compared to 93.3 percent of total assets at December 31, 2014.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has increased, and credit administration remains satisfactory. Nonaccrual loans decreased from $29,003 at December 31, 2014 to $28,454 at March 31, 2015.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2015, was $6,088 compared to $5,999 at December 31, 2014, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2015

Net income for the three months ended March 31, 2015 totaled $2,998 as compared to $4,392 for the same period in 2014. This decrease is primarily due to a reversal of loan loss provision of ($477) in first quarter 2014 compared to a provision for loan losses of $241 for the same period in 2015. Also, patronage from other Farm Credit institutions was $387 lower in first quarter 2015 than first quarter 2014 due to the decline in loan volume.

Non-interest income for the three months ended March 31, 2015, totaled $1,696, as compared to $1,986 for the same period of 2014. This decrease is due to lower patronage refunds from other Farm Credit institutions in first quarter 2015 compared to the same period in 2014. Non-interest expense for the three months ended March 31, 2015 totaled $5,643, an increase of $100 compared to the same period of 2014.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2015, was $592,225 as compared to $636,993 at December 31, 2014.

CAPITAL RESOURCES

Total members' equity at March 31, 2015 increased $2,808 to $228,124 from the December 31, 2014 total of $225,317. The increase is related to net income for the three months in 2015 less retirement of stock in the normal course of business.

Total capital stock and participation certificates were $3,772 on March 31, 2015, compared to $3,802 on December 31, 2014. This decrease is attributed to the issuance of stock on new loans being less than the retirement of stock on loans liquidated in the normal course of business.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk adjusted asset base. As of March 31, 2015, the Association's total surplus ratio and core surplus ratio were 27.31 percent and 23.23 percent, respectively, and the permanent capital ratio was 27.79 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 478-987-8300 Ext. 120, writing Carrie McCall, Chief Financial Officer, AgGeorgia Farm Credit, ACA, P.O. Box 1820, Perry, GA 31069, or accessing the website, *www.aggeorgia.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

AgGeorgia Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2015 *(unaudited)*	December 31, 2014 *(audited)*
Assets		
Cash	**$ 430**	$ 80
Loans	**802,834**	830,645
Allowance for loan losses	**(6,088)**	(5,999)
Net loans	**796,746**	824,646
Accrued interest receivable	**7,976**	11,054
Investments in other Farm Credit institutions	**10,069**	10,070
Premises and equipment, net	**7,325**	7,381
Other property owned	**7,963**	8,269
Accounts receivable	**1,389**	14,115
Other assets	**7,614**	8,440
Total assets	**$ 839,512**	$ 884,055
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 592,225**	$ 636,993
Accrued interest payable	**1,176**	1,267
Patronage refunds payable	**724**	4,474
Accounts payable	**566**	1,274
Other liabilities	**16,697**	14,731
Total liabilities	**611,388**	658,739
Commitments and contingencies (Note 8)		
Members' Equity		
Protected borrower stock	**1**	5
Capital stock and participation certificates	**3,771**	3,796
Retained earnings		
Allocated	**95,395**	95,454
Unallocated	**129,115**	126,220
Accumulated other comprehensive income (loss)	**(158)**	(159)
Total members' equity	**228,124**	225,316
Total liabilities and members' equity	**$ 839,512**	$ 884,055

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2015	2014
Interest Income		
Loans	**$ 10,659**	$ 10,976
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	**3,471**	3,495
Net interest income	**7,188**	7,481
Provision for (reversal of allowance for) loan losses	**241**	(477)
Net interest income after provision for (reversal of allowance for) loan losses	**6,947**	7,958
Noninterest Income		
Loan fees	**393**	298
Fees for financially related services	**13**	6
Patronage refunds from other Farm Credit institutions	**1,154**	1,541
Gains (losses) on sales of premises and equipment, net	**7**	16
Gains (losses) on other transactions	**4**	6
Other noninterest income	**160**	144
Total noninterest income	**1,731**	2,011
Noninterest Expense		
Salaries and employee benefits	**3,944**	3,817
Occupancy and equipment	**222**	256
Insurance Fund premiums	**190**	184
(Gains) losses on other property owned, net	**35**	25
Other operating expenses	**1,286**	1,287
Total noninterest expense	**5,677**	5,569
Income before income taxes	**3,001**	4,400
Provision for income taxes	**3**	8
Net income	**$ 2,998**	$ 4,392

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2015	2014
Net income	**$ 2,998**	$ 4,392
Other comprehensive income net of tax		
Employee benefit plans adjustments	**1**	—
Comprehensive income	**$ 2,999**	$ 4,392

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 8	$ 3,744	$ 94,741	$ 117,487	$ (74)	$ 215,906
Comprehensive income				4,392		4,392
Protected borrower stock issued/(retired), net	(1)					(1)
Capital stock/participation certificates issued/(retired), net		(2)				(2)
Retained earnings retired			(522)			(522)
Patronage distribution adjustment			86	(130)		(44)
Balance at March 31, 2014	$ 7	$ 3,742	$ 94,305	$ 121,749	$ (74)	$ 219,729
Balance at December 31, 2014	**$ 5**	**$ 3,796**	**$ 95,454**	**$ 126,220**	**$ (159)**	**$ 225,316**
Comprehensive income				**2,998**	**1**	**2,999**
Protected borrower stock issued/(retired), net	**(4)**					**(4)**
Capital stock/participation certificates issued/(retired), net		**(25)**				**(25)**
Retained earnings retired			**(55)**			**(55)**
Patronage distribution adjustment			**(4)**	**(103)**		**(107)**
Balance at March 31, 2015	**$ 1**	**$ 3,771**	**$ 95,395**	**$ 129,115**	**$ (158)**	**$ 228,124**

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

AgGeorgia Farm Credit, 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 AgGeorgia Farm Credit, 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	$ 412,324	$ 413,221
Production and intermediate-term	361,988	385,232
Processing and marketing	13,682	14,102
Farm-related business	4,077	7,031
Communication	3,169	3,244
Rural residential real estate	7,594	7,815
Total Loans	$ 802,834	$ 830,645

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	$ 465	$ 5,175	$ –	$ –	$ –	$ –	$ 465	$ 5,175
Production and intermediate-term	4,163	25,349	–	–	413	–	4,576	25,349
Processing and marketing	9,362	–	–	–	–	–	9,362	–
Farm-related business	2,217	317	–	–	–	–	2,217	317
Communication	3,168	–	–	–	–	–	3,168	–
Total	$ 19,375	$ 30,841	$ –	$ –	$ 413	$ –	$ 19,788	$ 30,841

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	$ 1,837	$ 5,175	$ –	$ –	$ –	$ –	$ 1,837	$ 5,175
Production and intermediate-term	4,332	26,053	–	–	421	–	4,753	26,053
Processing and marketing	9,367	–	–	–	–	–	9,367	–
Farm-related business	2,217	1,767	–	–	–	–	2,217	1,767
Communication	3,243	–	–	–	–	–	3,243	–
Total	$ 20,996	$ 32,995	$ –	$ –	$ 421	$ –	$ 21,417	$ 32,995

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	$ 35,793	$ 88,355	$ 288,176	$ 412,324
Production and intermediate term	106,187	123,991	131,810	361,988
Processing and marketing	2,714	7,305	3,663	13,682
Farm-related business	39	3,315	723	4,077
Communication	–	3,169	–	3,169
Rural residential real estate	290	1,603	5,701	7,594
Total Loans	$ 145,023	$ 227,738	$ 430,073	$ 802,834
Percentage	18.06%	28.37%	53.57%	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	91.13%	90.68%
OAEM	4.69	4.98
Substandard/doubtful/loss	4.18	4.34
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	84.83%	86.23%
OAEM	7.50	7.22
Substandard/doubtful/loss	7.67	6.55
	100.00%	100.00%
Processing and marketing:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2015	December 31, 2014
Farm-related business:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Communication		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	91.82%	91.02%
OAEM	4.73	5.52
Substandard/doubtful/loss	3.45	3.46
	100.00%	100.00%
Total Loans:		
Acceptable	88.52%	88.89%
OAEM	5.84	5.88
Substandard/doubtful/loss	5.64	5.23
	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	$ 2,056	$ 1,962	$ 4,018	$ 412,600	$ 416,618	$ –
Production and intermediate-term	4,628	8,115	12,743	352,808	365,551	–
Processing and marketing	–	–	–	13,741	13,741	–
Farm-related business	–	–	–	4,104	4,104	–
Communication	–	–	–	3,171	3,171	–
Rural residential real estate	30	49	79	7,546	7,625	–
Total	$ 6,714	$ 10,126	$ 16,840	$ 793,970	$ 810,810	$ –

	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	$ 2,232	$ 3,178	$ 5,410	$ 413,490	$ 418,900	$ –
Production and intermediate-term	1,873	7,746	9,619	380,803	390,422	–
Processing and marketing	–	–	–	14,219	14,219	–
Farm-related business	–	–	–	7,065	7,065	–
Communication	–	–	–	3,247	3,247	–
Rural residential real estate	76	49	125	7,721	7,846	–
Total	$ 4,181	$ 10,973	$ 15,154	$ 826,545	$ 841,699	$ –

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	$ 12,458	$ 13,396
Production and intermediate-term	15,908	15,516
Rural residential real estate	88	91
Total	$ 28,454	$ 29,003
Accruing restructured loans:		
Real estate mortgage	$ 5,679	$ 5,871
Production and intermediate-term	6,334	6,030
Rural residential real estate	126	128
Total	$ 12,139	$ 12,029
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 40,593	$ 41,032
Other property owned	7,963	8,269
Total nonperforming assets	$ 48,556	$ 49,301
Nonaccrual loans as a percentage of total loans	3.54%	3.49%
Nonperforming assets as a percentage of total loans and other property owned	5.99%	5.88%
Nonperforming assets as a percentage of capital	21.28%	21.88%

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	$ 16,803	$ 15,705
Past due	11,651	13,298
Total	28,454	29,003
Impaired accrual loans:		
Restructured	12,139	12,029
Total	12,139	12,029
Total impaired loans	$ 40,593	$ 41,032

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

	March 31, 2015			Quarter Ended March 31, 2015	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real estate mortgage	$ 3,943	$ 4,847	$ 629	$ 3,946	$ 38
Production and intermediate-term	6,690	8,724	1,265	6,695	65
Rural residential real estate	49	60	2	49	–
Total	$ 10,682	$ 13,631	$ 1,896	$ 10,690	$ 103
With no related allowance for credit losses:					
Real estate mortgage	$ 14,194	$ 18,032	$ –	$ 14,204	$ 137
Production and intermediate-term	15,552	20,053	–	15,562	151
Farm-related business	–	394	–	–	–
Rural residential real estate	165	184	–	164	2
Total	$ 29,911	$ 38,663	$ –	$ 29,930	$ 290
Total:					
Real estate mortgage	$ 18,137	$ 22,879	$ 629	$ 18,150	$ 175
Production and intermediate-term	22,242	28,777	1,265	22,257	216
Farm-related business	–	394	–	–	–
Rural residential real estate	214	244	2	213	2
Total	$ 40,593	$ 52,294	$ 1,896	$ 40,620	$ 393

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	$ 4,084	$ 4,941	$ 634	$ 4,745	$ 151
Production and intermediate-term	6,704	9,031	1,029	7,788	247
Farm-related business	–	–	–	–	–
Rural residential real estate	49	60	2	56	2
Total	$ 10,837	$ 14,032	$ 1,665	$ 12,589	$ 400
With no related allowance for credit losses:					
Real estate mortgage	$ 15,183	$ 18,813	$ –	$ 17,637	$ 560
Production and intermediate-term	14,842	19,164	–	17,242	547
Farm-related business	–	394	–	–	–
Rural residential real estate	170	189	–	198	6
Total	$ 30,195	$ 38,560	$ –	$ 35,077	$ 1,113
Total:					
Real estate mortgage	$ 19,267	$ 23,754	$ 634	$ 22,382	$ 711
Production and intermediate-term	21,546	28,195	1,029	25,030	794
Farm-related business	–	394	–	–	–
Rural residential real estate	219	249	2	254	8
Total	$ 41,032	$ 52,592	$ 1,665	$ 47,666	$ 1,513

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	$ 1,866	$ 4,052	$ 44	$ 4	$ 33	$ 5,999
Charge-offs	(40)	(194)	–	–	–	(234)
Recoveries	14	68	–	–	–	82
Provision for loan losses	(37)	286	(7)	–	(1)	241
Balance at March 31, 2015	$ 1,803	$ 4,212	$ 37	$ 4	$ 32	$ 6,088
Balance at December 31, 2013	$ 3,860	$ 6,579	$ 101	$ 4	$ 31	$ 10,575
Charge-offs	(605)	(680)	–	–	(6)	(1,291)
Recoveries	227	385	–	–	–	612
Provision for loan losses	(136)	(340)	(9)	–	8	(477)
Balance at March 31, 2014	$ 3,346	$ 5,944	$ 92	$ 4	$ 33	$ 9,419
Allowance on loans evaluated for impairment:						
Individually	$ 629	$ 1,265	$ –	$ –	$ 2	$ 1,896
Collectively	1,174	2,947	37	4	30	4,192
Balance at March 31, 2015	$ 1,803	$ 4,212	$ 37	$ 4	$ 32	$ 6,088
Individually	$ 634	$ 1,029	$ –	$ –	$ 2	$ 1,665
Collectively	1,232	3,023	44	4	31	4,334
Balance at December 31, 2014	$ 1,866	$ 4,052	$ 44	$ 4	$ 33	$ 5,999
Recorded investment in loans evaluated for impairment:						
Individually	$ 18,177	$ 23,873	$ –	$ –	$ 213	$ 42,263
Collectively	398,441	341,678	17,845	3,171	7,412	768,547
Balance at March 31, 2015	$ 416,618	$ 365,551	$ 17,845	$ 3,171	$ 7,625	$ 810,810
Individually	$ 19,267	$ 21,547	$ –	$ –	$ 218	$ 41,032
Collectively	399,633	368,875	21,284	3,247	7,628	800,667
Balance at December 31, 2014	$ 418,900	$ 390,422	$ 21,284	$ 3,247	$ 7,846	$ 841,699

**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.

	Three months ended March 31, 2015				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 230	$ –	$ 230	
Production and intermediate-term	–	1,514	–	1,514	
Total	$ –	$ 1,744	$ –	$ 1,744	
Post-modification:					
Real estate mortgage	$ –	$ 230	$ –	$ 230	$ –
Production and intermediate-term	–	1,635	–	1,635	(2)
Total	$ –	$ 1,865	$ –	$ 1,865	$ (2)

	Three months ended March 31, 2014				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 1,724	$ –	$ 1,724	
Production and intermediate-term	–	4,834	–	4,834	
Total	$ –	$ 6,558	$ –	$ 6,558	
Post-modification:					
Real estate mortgage	$ –	$ 1,286	$ –	$ 1,286	$ –
Production and intermediate-term	–	3,851	–	3,851	–
Total	$ –	$ 5,137	$ –	$ 5,137	$ –

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	$ 495	$ 937
Total	$ 495	$ 937

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	$ 15,594	$ 16,163	$ 9,915	$ 10,292
Production and intermediate-term	14,335	13,462	8,001	7,432
Rural residential real estate	150	154	24	27
Total Loans	$ 30,079	$ 29,779	$ 17,940	$ 17,751
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	$ 33
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ 93

Note 3 — Investments

Investments in other Farm Credit Institutions

The Association is required to maintain ownership in AgFirst Farm Credit Bank (AgFirst or the Bank) of Class B and Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owns 3.72 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 an investment of $770 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	$ (159)	$ (74)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	1	–
Net current period other comprehensive income	1	–
Balance at end of period	$ (158)	$ (74)

	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	$ (1)	$ –	See Note 7.
Net amounts reclassified	$ (1)	$ –	

(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.

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	$ 47,735	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	$ 252	$ 252	$ –	$ –	$ 252	
Recurring Assets	$ 252	$ 252	$ –	$ –	$ 252	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 38,697	$ –	$ –	$ 38,697	$ 38,697	$ (384)
Other property owned	7,963	–	–	9,038	9,038	(3)
Nonrecurring Assets	$ 46,660	$ –	$ –	$ 47,735	$ 47,735	$ (387)
Other Financial Instruments						
Assets:						
Cash	$ 430	$ 430	$ –	$ –	$ 430	
Loans	758,049	–	–	761,089	761,089	
Other Financial Assets	$ 758,479	$ 430	$ –	$ 761,089	$ 761,519	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 592,225	$ –	$ –	$ 589,995	$ 589,995	
Other Financial Liabilities	$ 592,225	$ –	$ –	$ 589,995	$ 589,995	

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	$ 231	$ 231	$ –	$ –	$ 231	
Recurring Assets	$ 231	$ 231	$ –	$ –	$ 231	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 39,367	$ –	$ –	$ 39,367	$ 39,367	$ (870)
Other property owned	8,269	–	–	9,205	9,205	(599)
Nonrecurring Assets	$ 47,636	$ –	$ –	$ 48,572	$ 48,572	$ (1,469)
Other Financial Instruments						
Assets:						
Cash	$ 80	$ 80	$ –	$ –	$ 80	
Loans	785,279	–	–	786,950	786,950	
Other Financial Assets	$ 785,359	$ 80	$ –	$ 786,950	$ 787,030	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 636,993	$ –	$ –	$ 632,735	$ 632,735	
Other Financial Liabilities	$ 636,993	$ –	$ –	$ 632,735	$ 632,735	

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	2014
Pension	$ 1,033	$ 1,090
401(k)	127	86
Other postretirement benefits	285	167
Total	$ 1,445	$ 1,343

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	$ 12	$ 4,242	$ 4,254
Other postretirement benefits	165	497	662
Total	$ 177	$ 4,739	$ 4,916

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 May 8, 2015, which was the date the financial statements were issued.

On April 21, 2015, the Association disposed of certain property acquired in settlement of loans. The property had a carrying value of $4,000 and a gain of approximately $935 was realized on disposal.