ALABAMA AG CREDIT, ACA

2015
Quarterly Report
Second Quarter

For the Quarter Ended June 30, 2015

REPORT OF MANAGEMENT

The consolidated financial statements of Alabama Ag Credit, ACA (Association) are prepared by management, who are responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (Bank) and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The annual financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who conduct a review of internal controls solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The audit committee of the board of directors has oversight responsibility for the Association's system of internal controls and financial reporting. The audit committee consults regularly with management and meets periodically with the independent auditors and the internal auditor to review the scope and results of their work. The independent auditors and internal auditor have direct access to the audit committee.

The undersigned certify that, to the best of our knowledge and belief, the consolidated financial statements and other financial information included in this quarterly report reliably present the financial condition of Alabama Ag Credit, ACA and the results of its operations for the periods shown.

Douglas Thiessen, President/Chief Executive Officer
August 3, 2015

James L. Bassett, Chairman, Board of Directors
August 3, 2015

M. Scott Sellers, CPA, Sr. VP/Chief Financial Officer
August 3, 2015

J.K. Love, CPA, Chairman, Audit Committee
August 3, 2015

ALABAMA AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Alabama Ag Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter and six months ended June 30, 2015. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2014, Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Results of Operations:

The Association had net income of $3,276,631 and $6,453,813 for the three and six months ended June 30, 2015, as compared to net income of $3,230,555 and $6,260,887 for the same period in 2014, reflecting an increase of 1.4 and 3.1 percent respectively. Net interest income was $6,143,824 and $12,191,986 for the three and six months ended June 30, 2015, compared to $5,685,135 and $11,421,658 for the same period in 2014.

	Six months ended:			
	June 30, 2015		June 30, 2014	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 808,758,077**	**$ 18,670,922**	$ 729,815,930	$ 17,119,473
Interest-bearing liabilities	**670,587,272**	**6,478,936**	599,737,979	5,697,815
Impact of capital	**$ 138,170,805**		$ 130,077,951	
Net interest income		**$ 12,191,986**		$ 11,421,658

	2015 Average Yield	2014 Average Yield
Yield on loans	**4.62%**	4.69%
Cost of interest-bearing liabilities	**1.93%**	1.90%
Interest rate spread	**2.69%**	2.79%
Impact of capital	**0.32%**	0.34%
Net interest income as a percentage of average earning assets	**3.01%**	3.13%

	Six months ended: June 30, 2015 vs. June 30, 2014		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,851,193**	**$ (299,744)**	**$ 1,551,449**
Interest expense	**673,068**	**108,053**	**781,121**
Net interest income	**$ 1,178,125**	**$ (407,797)**	**$ 770,328**

Interest income for the three and six months ended June 30, 2015, increased by $954,742 and $1,551,449, or 11.1 and 9.1 percent, respectively, from the same periods of 2014, primarily due to an increase in average loan volume, offset partially by a decrease in yields on earning assets. Interest income also increased in 2015 due to the collection of several credits that had been classified as nonaccrual, resulting in recognition of $84,611 and $189,466 of foregone interest for the three and six months ended June 30, 2015, respectively. Interest expense also for the three and six months ended June 30, 2015, increased by $496,053 and $781,121, or 17.2

and 13.7 percent, respectively, from the same periods of 2014, due primarily to an increase in average debt volume. Average loan volume for the second quarter of 2015 was $834,197,014, compared to $734,946,076 in the second quarter of 2014.

Noninterest income for the three months ended June 30, 2015, decreased by $31,391, or 9.1 percent, over the same period of 2014. The decrease is due primarily to the Captive Insurance rebate received in the first quarter of 2015 of $68,643; the same rebate in 2014 was recognized in the second quarter. Noninterest income for the six months ended June 30, 2015, increased by $59,152, or 9.5 percent, over the same period of 2014. The increase is due primarily to an increase in the amount of patronage income accrued in the first six months of 2015 compared to the first six months of 2014.

Noninterest expenses for the three months ended June 30, 2015 increased by $350,027, or 13.2 percent, as compared to the same period in 2014. The increase is primarily due to increases in salaries and benefits, occupancy and equipment costs and Insurance Fund premiums. Salaries and benefits and occupancy and equipment costs increased as a result of employee hiring actions from second quarter of 2014 through the second quarter of 2015. Noninterest expenses for the six months ended June 30, 2015 increased by $505,973, or 9.2 percent, as compared to the same period in 2014. The increase is primarily due to increases in salaries and benefits and occupancy and equipment costs. Salaries and benefits and occupancy and equipment costs increased as a result of a net increase of employee hiring actions from the second quarter of 2014 through the second quarter of 2015. These increases were offset by a decrease in losses recognized on sales of other property owned in the first six months of 2015 as compared to the first six months of 2014.

The Association's return on average assets for the six months ended June 30, 2015, was 1.57 percent compared to 1.67 percent for the same period in 2014. The Association's return on average equity for the six months ended June 30, 2015, was 8.68 percent, compared to 8.81 percent for the same period in 2014.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loans are available to eligible borrowers with competitive prime- and LIBOR-based, fixed and adjustable interest rates and loan maturities ranging up to 40 years. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with seasonal cash-flow capabilities of the borrower.

Total loans outstanding at June 30, 2015, stated at recorded investment (principal less funds held), were $843,550,959 compared to $773,697,246 at December 31, 2014, reflecting an increase of 9.0 percent. Nonaccrual loans as a percentage of total loans outstanding were 1.2 percent at June 30, 2015, compared to 1.5 percent at December 31, 2014. The major commodities within the Association's portfolio are timber, cattle, field crops, and poultry.

The Association recorded charge-offs of $231,549 and $261,350 for the three and six months ended June 30, 2015, and charge-offs of $177,018 and $202,354, respectively, for the same periods in 2014. The Association recorded recoveries of $88,681 and $92,074 for the quarter and six months ended June 30, 2015, and recoveries of $1,414 and $1,414, respectively, for the same periods in 2014. The Association's allowance for loan losses was 0.6 percent and 0.6 percent of total loans outstanding as of June 30, 2015, and December 31, 2014, respectively.

The following table reflects the credit quality of the Association's loan volume as of:

	June 30, 2015	December 31, 2014
Acceptable	**97.5** %	97.0 %
OAEM	**0.8**	0.6
Substandard/doubtful	**1.7**	2.4
	100.0 %	100.0 %

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	June 30, 2015		December 31, 2014	
	Amount	**%**	Amount	%
Nonaccrual	**$ 9,873,093**	**90.0%**	$ 11,566,865	91.8%
90 days past due and still accruing interest	**-**	**0.0%**	58,852	0.5%
Formally restructured	**421,935**	**3.8%**	447,430	3.5%
Other property owned, net	**685,625**	**6.2%**	532,091	4.2%
Total	**$ 10,980,653**	**100.0%**	$ 12,605,238	100.0%

At June 30, 2015, loans that were considered impaired were $10,950,028, compared to $12,073,147 at December 31, 2014. This represents 1.2 percent and 1.6 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net. While the total number of nonaccrual loans as of June 31, 2015, remained relatively consistent compared to December 31, 2014, the primary reason for the decrease in volume is attributable to several large credits that were paid down during the first quarter of 2015.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System wide obligations. The following schedule summarizes the Association's borrowings.

	June 30, 2015	December 31, 2014
Note payable to the Bank	**$ 706,973,392**	$ 633,122,764
Accrued interest on note payable	**1,119,214**	1,027,084
Total	**$ 708,092,606**	$ 634,149,848

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2015. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $706,973,392 as of June 30, 2015, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.87 percent at June 30, 2015. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2014, is due to increased funding needs generated by growth in the Association's loan portfolio. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $136,469,144 at June 30, 2015. The maximum amount the Association may borrow from the Bank as of June 30, 2015, was $846,576,839 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

Capital Resources:

The Association's capital position increased by $6,554,483 at June 30, 2015, compared to December 31, 2014. The Association's debt as a ratio of members' equity was 4.67:1 as of June 30, 2015, compared to 4.43:1 as of December 31, 2014.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at June 30, 2015, was 16.8 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at June 30, 2015, were 16.4 and 16.4 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

Information regarding significant recent accounting pronouncements, required to be disclosed, is incorporated herein by reference to Note 1 to the consolidated financial statements, "Organization and Significant Accounting Policies," included in this quarterly report.

Regulatory Matters:

On September 4, 2014, the Farm Credit Administration published a proposed rule to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that the 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 and
- To meet the requirements of section 939A of the Dodd-Frank Act.

The initial public comment period ended on February 16, 2015. However, the FCA agreed to reopen the comment period from June 26 to July 10, 2015.

Relationship With the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2014 Annual Report of Alabama Ag Credit, ACA more fully describe the Association's relationship with the Bank.

The Texas Farm Credit District's (District) annual and quarterly stockholder reports, as well as those of the Bank, are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. Copies of the District's quarterly and annual stockholder reports also can be requested by e-mail at *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports for the Bank and the District are also available on its website at *www.farmcreditbank.com.*

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. The quarterly reports will be available on the Association's website at *www.AlabamaAgCredit.com* approximately 40 days after quarter end and can also be obtained by writing to Alabama Ag Credit, ACA, 2660 EastChase Lane, Suite 401, Montgomery, Alabama, 36117 or calling (334) 270-8687. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *Andra.Wolf@AlabamaAgCredit.com*. The Association's annual stockholder report is available on its website 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Cash	**$ 13,688**	$ 10,551
Loans	**843,550,959**	773,697,246
Less: allowance for loan losses	**4,987,505**	4,719,111
Net loans	**838,563,454**	768,978,135
Accrued interest receivable	**7,695,185**	6,813,661
Investment in and receivable from the Bank:		
Capital stock	**12,177,375**	12,177,375
Accrued patronage receivable	**345,000**	41,411
Other	**863,466**	1,135,124
Other property owned, net	**685,625**	532,091
Premises and equipment, net	**5,771,265**	4,952,357
Other assets	**668,591**	453,572
Total assets	**$ 866,783,649**	$ 795,094,277
LIABILITIES		
Note payable to the Bank	**$ 706,973,392**	$ 633,122,764
Accrued interest payable	**1,119,214**	1,027,084
Drafts outstanding	**1,403,007**	2,176,627
Patronage distributions payable	**8,117**	7,045,021
Other liabilities	**4,311,389**	5,308,734
Total liabilities	**713,815,119**	648,680,230
MEMBERS' EQUITY		
Capital stock and participation certificates	**3,721,305**	3,642,100
Unallocated retained earnings	**149,922,571**	143,465,233
Accumulated other comprehensive income (loss)	**(675,346)**	(693,286)
Total members' equity	**152,968,530**	146,414,047
Total liabilities and members' equity	**$ 866,783,649**	$ 795,094,277

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
INTEREST INCOME				
Loans	**$ 9,522,526**	$ 8,567,784	**$ 18,670,922**	$ 17,119,473
INTEREST EXPENSE				
Note payable to the Bank	**3,378,702**	2,882,649	**6,478,936**	5,697,815
Net interest income	**6,143,824**	5,685,135	**12,191,986**	11,421,658
PROVISION FOR LOAN LOSSES	**172,324**	141,129	**437,670**	307,089
Net interest income after provision for losses	**5,971,500**	5,544,006	**11,754,316**	11,114,569
NONINTEREST INCOME				
Patronage income from the Bank	**230,006**	198,235	**458,791**	392,070
Loan fees	**61,447**	56,399	**93,517**	120,271
Financially related services income	**318**	328	**563**	642
Gain on sale of premises and equipment, net	**22,906**	31,135	**57,194**	46,602
Other noninterest income	**-**	59,971	**68,643**	59,971
Total noninterest income	**314,677**	346,068	**678,708**	619,556
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,778,524**	1,606,182	**3,598,154**	3,244,718
Directors' expense	**103,630**	57,547	**194,807**	137,738
Purchased services	**98,087**	96,934	**174,004**	182,095
Travel	**172,520**	207,246	**314,406**	322,729
Occupancy and equipment	**228,650**	156,656	**420,806**	341,581
Communications	**85,533**	71,312	**160,677**	152,510
Advertising	**51,754**	50,894	**137,839**	108,353
Public and member relations	**85,089**	71,396	**177,380**	141,291
Supervisory and exam expense	**46,720**	55,719	**107,625**	111,436
Insurance Fund premiums	**264,864**	177,127	**522,422**	441,482
Other noninterest expense	**56,019**	61,577	**109,444**	121,100
Loss on other property owned, net	**38,156**	46,929	**61,647**	168,205
Total noninterest expenses	**3,009,546**	2,659,519	**5,979,211**	5,473,238
NET INCOME	**3,276,631**	3,230,555	**6,453,813**	6,260,887
Other comprehensive income:				
Change in postretirement benefit plans	**8,970**	(16,293)	**17,940**	(10,862)
COMPREHENSIVE INCOME	**$ 3,285,601**	$ 3,214,262	**$ 6,471,753**	$ 6,250,025

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 3,521,035	$ 135,313,229	$ (108,929)	$ 138,725,335
Net income	-	6,260,887	-	6,260,887
Other comprehensive income	-	-	(10,862)	(10,862)
Capital stock/participation certificates issued	254,135	-	-	254,135
Capital stock/participation certificates retired	(179,740)	-	-	(179,740)
Patronage refunds:				
Change in patronage declared and paid	-	166	-	166
Balance at June 30, 2014	$ 3,595,430	$ 141,574,282	$ (119,791)	$ 145,049,921
Balance at December 31, 2014	$ 3,642,100	$ 143,465,233	$ (693,286)	$ 146,414,047
Net income	-	6,453,813	-	6,453,813
Other comprehensive income	-	-	17,940	17,940
Capital stock/participation certificates issued	260,045	-	-	260,045
Capital stock/participation certificates retired	(180,840)	-	-	(180,840)
Patronage refunds:				
Change in patronage declared and paid	-	3,525	-	3,525
Balance at June 30, 2015	**$ 3,721,305**	**$ 149,922,571**	**$ (675,346)**	**$ 152,968,530**

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

ALABAMA AG CREDIT, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Alabama Ag Credit, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington and Wilcox in the state of Alabama. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2014, as contained in the 2014 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with GAAP, except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by the Farm Credit Administration (FCA), associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2015. Descriptions of the significant accounting policies are included in the 2014 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In August 2014, the Financial Accounting Standards Board (FASB) issued guidance entitled "Presentation of Financial Statements - Going Concern." The guidance governs management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016. The Association is currently evaluating a potential disclosure for this recent accounting pronouncement.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In April 2015, this guidance was deferred by one year and results in the new revenue standard becoming effective for interim and annual reporting periods ending after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on the Association's financial condition or its results of operations.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended June 30, 2015, are not necessarily indicative of the results to be expected for the year ended December 31, 2015. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	June 30, 2015 Amount	December 31, 2014 Amount
Production agriculture:		
Real estate mortgage	**$ 710,737,705**	$ 661,884,205
Production and intermediate term	**78,519,601**	57,170,127
Agribusiness:		
Loans to cooperatives	**2,183,557**	2,266,193
Processing and marketing	**32,734,532**	33,223,778
Farm-related business	**3,667,519**	3,684,628
Communication	**1,571,553**	1,618,726
Water and waste water	**397,079**	470,960
Rural residential real estate	**13,739,413**	13,378,629
Total	**$ 843,550,959**	$ 773,697,246

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2015:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 9,448,243	$ 12,866,955	$ -	$ -	$ 9,448,243	$ 12,866,955
Production and intermediate term	14,687,667	885,590	-	-	14,687,667	885,590
Agribusiness	35,749,613	-	-	-	35,749,613	-
Communication	1,571,553	-	-	-	1,571,553	-
Water and waste water	397,079	-	-	-	397,079	-
Total	$ 61,854,155	$ 13,752,545	$ -	$ -	$ 61,854,155	$ 13,752,545

The Association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted ACPs are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $21,240,316 and $15,083,927 at June 30, 2015, and December 31, 2014, respectively.

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	June 30, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	**$ 8,422,911**	$10,093,547
Production and intermediate term	**1,293,945**	1,365,338
Rural residential real estate	**156,237**	107,980
Total nonaccrual loans	**9,873,093**	11,566,865
Accruing restructured loans:		
Real estate mortgage	**421,935**	447,430
Total accruing restructured loans	**421,935**	447,430
Accruing loans 90 days or more past due:		
Real estate mortgage	**-**	58,852
Total accruing loans 90 days or more past due	**-**	58,852
Total nonperforming loans	**10,295,028**	12,073,147
Other property owned	**685,625**	532,091
Total nonperforming assets	**$ 10,980,653**	$12,605,238

One credit quality indicator utilized by the Association is the FCA Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2015	December 31, 2014
Real estate mortgage		
Acceptable	**97.5** %	97.0 %
OAEM	**0.9**	0.0
Substandard/doubtful	**1.6**	2.3
	100.0	99.3
Production and intermediate term		
Acceptable	**96.9**	95.6
OAEM	**0.3**	0.0
Substandard/doubtful	**2.8**	4.4
	100.0	100.0
Agribusiness		
Acceptable	**99.9**	100.0
OAEM	**0.1**	0.0
Substandard/doubtful	**0.0**	0.0
	100.0	100.0
Water/waste water		
Acceptable	**100.0**	100.0
OAEM	**0.0**	0.0
Substandard/doubtful	**0.0**	0.0
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**0.0**	0.0
Substandard/doubtful	**0.0**	0.0
	100.0	100.0
Rural residential real estate		
Acceptable	**98.2**	96.5
OAEM	**0.2**	1.9
Substandard/doubtful	**1.6**	1.6
	100.0	100.0
Total loans		
Acceptable	**97.5**	97.0
OAEM	**0.8**	0.6
Substandard/doubtful	**1.7**	2.4
	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) as of:

June 30, 2015	**30-89 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 and Accruing**
Real estate mortgage	**$ 2,990,721**	**$ 1,995,027**	**$ 4,985,748**	**$ 712,433,401**	**$ 717,419,149**	**$ -**
Production and intermediate term	**130,045**	**115,696**	**245,741**	**79,173,717**	**79,419,458**	**-**
Loans to cooperatives	**-**	**-**	**-**	**2,215,762**	**2,215,762**	**-**
Processing and marketing	**-**	**-**	**-**	**32,753,720**	**32,753,720**	**-**
Farm-related business	**-**	**-**	**-**	**3,671,382**	**3,671,382**	**-**
Communication	**-**	**-**	**-**	**1,571,813**	**1,571,813**	**-**
Water and waste water	**-**	**-**	**-**	**397,132**	**397,132**	**-**
Rural residential real estate	**97,975**	**55,443**	**153,418**	**13,644,310**	**13,797,728**	**-**
Total	**$ 3,218,741**	**$ 2,166,166**	**$ 5,384,907**	**$ 845,861,237**	**$ 851,246,144**	**$ -**

December 31, 2014	30-89 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 and Accruing
Real estate mortgage	$ 2,442,759	$ 2,036,902	$ 4,479,661	$ 663,508,280	$ 667,987,941	$ 58,852
Production and intermediate term	115,546	10,868	126,414	57,653,066	57,779,480	-
Loans to cooperatives	-	-	-	2,280,365	2,280,365	-
Processing and marketing	-	-	-	33,252,099	33,252,099	-
Farm-related business	-	-	-	3,687,486	3,687,486	-
Communication	-	-	-	1,619,014	1,619,014	-
Water and waste water	-	-	-	471,008	471,008	-
Rural residential real estate	29,692	-	29,692	13,403,822	13,433,514	-
Total	$ 2,587,997	$ 2,047,770	$ 4,635,767	$ 775,875,140	$ 780,510,907	$ 58,852

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

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. TDRs are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of June 30, 2015, the total recorded investment of TDR loans was $4,088,696, including $3,666,761 classified as nonaccrual and $421,935 classified as accrual, with specific allowance for loan losses of $344,689. All loans classified as TDRs were individually evaluated to determine the need for allowance for loan losses. As of June 30, 2015 the Association had no commitments to lend funds to borrowers whose loan terms have been modified in a TDR.

The following tables present additional information regarding TDRs, which includes both accrual and nonaccrual loans with TDR designation, that occurred during the three and six months ended June 30, 2014. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

For the Three Months Ended June 30, 2014	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 2,972,783	$ 2,972,783
Production and intermediate term	635,159	641,438
Total	$ 3,607,942	$ 3,614,221

For the Six Months Ended June 30, 2014	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 3,162,158	$ 3,156,343
Production and intermediate term	635,159	641,438
Total	$ 3,797,317	$ 3,797,781

During the three and six months ended June 30, 2015 there were no loans which were modified in a TDR.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

The predominant form of concession granted for TDRs includes extension of the term and/or delayed payments. Other types of modifications include principal or accrued interest reductions and interest rate decreases, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case we assess all of the modified terms to determine if the overall modification qualifies as a TDR.

The following table presents information regarding loans that met the accounting criteria as a TDR and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Troubled debt restructurings that subsequently defaulted:	Recorded Investment at June 30, 2015	Recorded Investment at June 30, 2014
Real estate mortgage	$ 177,831	$ -
Total	$ 177,831	$ -

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Real estate mortgage	$ 3,479,248	$ 3,971,131	$ 3,057,313	$ 3,523,701
Production and intermediate term	609,448	641,438	609,448	641,438
Total	$ 4,088,696	$ 4,612,569	$ 3,666,761	$ 4,165,139

Additional impaired loan information is as follows:

	June 30, 2015			December 31, 2014		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 4,956,724**	**$ 5,199,183**	**$ 811,485**	$ 5,145,521	$ 5,489,408	$ 902,194
Production and intermediate term	**100,951**	**100,951**	**59,951**	-	-	-
Farm-related business	**-**	**-**	**-**	-	-	-
Rural residential real estate	**49,187**	**49,187**	**29,363**	2,958	2,958	1,578
Total	**$ 5,106,862**	**$ 5,349,321**	**$ 900,799**	$ 5,148,479	$ 5,492,366	$ 903,772
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 3,918,365**	**$ 4,837,964**	**$ -**	$ 5,454,308	$ 6,460,972	$ -
Production and intermediate term	**1,192,994**	**1,328,738**	**-**	1,365,338	1,395,101	-
Farm-related business	**-**	**13,095**	**-**	-	13,095	-
Rural residential real estate	**107,050**	**107,050**	**-**	105,022	105,022	-
Total	**$ 5,218,409**	**$ 6,286,847**	**$ -**	$ 6,924,668	$ 7,974,190	$ -
Total impaired loans:						
Real estate mortgage	**$ 8,875,089**	**$ 10,037,147**	**$ 811,485**	$10,599,829	$11,950,380	$ 902,194
Production and intermediate term	**1,293,945**	**1,429,689**	**59,951**	1,365,338	1,395,101	-
Farm-related business	**-**	**13,095**	**-**	-	13,095	-
Rural residential real estate	**156,237**	**156,237**	**29,363**	107,980	107,980	1,578
Total	**$ 10,325,271**	**$ 11,636,168**	**$ 900,799**	$12,073,147	$13,466,556	$ 903,772

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended			
	June 30, 2015		June 30, 2014	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 4,712,381**	**$ 1,130**	$ 2,517,178	$ 1,648
Production and intermediate term	**100,951**	**-**	-	-
Farm-related business	**-**	**-**	-	-
Rural residential real estate	**27,955**	**-**	4,162	-
Total	**$ 4,841,287**	**$ 1,130**	$ 2,521,340	$ 1,648
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 3,703,932**	**$ 11,862**	$ 7,881,199	$ 36,723
Production and intermediate term	**1,014,883**	**1,149**	911,251	721
Farm-related business	**-**	**-**	-	-
Rural residential real estate	**105,813**	**15**	188,722	420
Total	**$ 4,824,628**	**$ 13,026**	$ 8,981,172	$ 37,864
Total impaired loans:				
Real estate mortgage	**$ 8,416,313**	**$ 12,992**	$ 10,398,377	$ 38,371
Production and intermediate term	**1,115,834**	**1,149**	911,251	721
Farm-related business	**-**	**-**	-	-
Rural residential real estate	**133,768**	**15**	192,884	420
Total	**$ 9,665,915**	**$ 14,156**	$ 11,502,512	$ 39,512

	For the Six Months Ended			
	June 30, 2015		June 30, 2014	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 4,861,580**	**$ 1,130**	$ 2,739,562	$ 3,750
Production and intermediate term	**76,940**	**2,156**	-	-
Farm-related business	**-**	**-**	-	-
Rural residential real estate	**13,978**	**-**	4,162	-
Total	**$ 4,952,498**	**$ 3,286**	$ 2,743,724	$ 3,750
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 4,371,351**	**$ 31,026**	$ 8,838,382	$ 62,806
Production and intermediate term	**866,886**	**1,417**	804,032	721
Farm-related business	**-**	**-**	-	-
Rural residential real estate	**104,896**	**15**	188,670	420
Total	**$ 5,343,133**	**$ 32,458**	$ 9,831,084	$ 63,947
Total impaired loans:				
Real estate mortgage	**$ 9,232,931**	**$ 32,156**	$ 11,577,944	$ 66,556
Production and intermediate term	**943,826**	**3,573**	804,032	721
Farm-related business	**-**	**-**	-	-
Rural residential real estate	**118,874**	**15**	192,832	420
Total	**$ 10,295,631**	**$ 35,744**	$ 12,574,808	$ 67,697

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at March 31, 2015	$ 4,667,762	$ 218,361	$ 47,050	$ 952	$ 504	$ 23,420	$ 4,958,049
Charge-offs	(110,536)	(121,013)	-	-	-	-	(231,549)
Recoveries	88,681	-	-	-	-	-	88,681
Provision for loan losses	69,330	76,965	(416)	(19)	609	25,855	172,324
Balance at June 30, 2015	$ 4,715,237	$ 174,313	$ 46,634	$ 933	$ 1,113	$ 49,275	$ 4,987,505
Balance at December 31, 2014	$ 4,570,064	$ 70,062	$ 48,083	$ 971	$ 604	$ 29,327	$ 4,719,111
Charge-offs	(140,337)	(121,013)	-	-	-	-	(261,350)
Recoveries	92,074	-	-	-	-	-	92,074
Provision for loan losses	193,436	225,264	(1,449)	(38)	509	19,948	437,670
Balance at June 30, 2015	$ 4,715,237	$ 174,313	$ 46,634	$ 933	$ 1,113	$ 49,275	$ 4,987,505
Ending Balance:							
Individually evaluated for impairment	$ 1,098,886	$ 59,951	$ -	$ -	$ -	$ 32,432	$ 1,191,269
Collectively evaluated for impairment	3,616,351	114,362	46,634	933	1,113	16,843	3,796,236
Balance at June 30, 2015	$ 4,715,237	$ 174,313	$ 46,634	$ 933	$ 1,113	$ 49,275	$ 4,987,505
Balance at March 31, 2014	$ 2,643,647	$ 63,906	$ 929,624	$ 1,152	$ 698	$ 43,388	$ 3,682,415
Charge-offs	(177,018)	-	-	-	-	-	(177,018)
Recoveries	1,414	-	-	-	-	-	1,414
Provision for loan losses	297,564	2,639	(157,649)	(1)	(22)	(1,402)	141,129
Balance at June 30, 2014	$ 2,765,607	$ 66,545	$ 771,975	$ 1,151	$ 676	$ 41,986	$ 3,647,940
Balance at December 31, 2013	$ 2,529,315	$ 61,654	$ 919,289	$ 810	$ 784	$ 29,939	$ 3,541,791
Charge-offs	(202,354)	-	-	-	-	-	(202,354)
Recoveries	1,414	-	-	-	-	-	1,414
Provision for loan losses	437,232	4,891	(147,314)	341	(108)	12,047	307,089
Balance at June 30, 2014	$ 2,765,607	$ 66,545	$ 771,975	$ 1,151	$ 676	$ 41,986	$ 3,647,940
Ending Balance:							
Individually evaluated for impairment	$ 789,791	$ -	$ -	$ -	$ -	$ 26,824	$ 816,615
Collectively evaluated for impairment	1,975,816	66,545	771,975	1,151	676	15,162	2,831,325
Balance at June 30, 2014	$ 2,765,607	$ 66,545	$ 771,975	$ 1,151	$ 676	$ 41,986	$ 3,647,940

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at June 30, 2015	$ 717,419,149	$ 79,419,458	$38,640,864	$ 1,571,813	$ 397,132	$ 13,797,728	$ 851,246,144
Individually evaluated for impairment	$ 11,675,234	$ 2,226,863	$ -	$ -	$ -	$ 225,445	$ 14,127,542
Collectively evaluated for impairment	$ 705,743,915	$ 77,192,595	$38,640,864	$ 1,571,813	$ 397,132	$ 13,572,283	$ 837,118,602
Ending Balance at June 30, 2014	$ 661,595,548	$ 44,346,938	$27,499,074	$ 1,676,763	$ 604,912	$ 11,927,513	$ 747,650,748
Individually evaluated for impairment	$ 17,066,436	$ 2,060,106	$ -	$ -	$ -	$ 599,965	$ 19,726,507
Collectively evaluated for impairment	$ 644,529,112	$ 42,286,832	$27,499,074	$ 1,676,763	$ 604,912	$ 11,327,548	$ 727,924,241

NOTE 3 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

An additional component of equity is accumulated other comprehensive income. The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the six months ended June 30, 2015:

	2015	2014
Accumulated other comprehensive income (loss) at January 1	**$ (693,286)**	$ (108,929)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(11,837)**	(13,140)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**29,777**	2,278
Other comprehensive income (loss), net of tax	**17,940**	(10,862)
Accumulated other comprehensive income at June 30	**$ (675,346)**	$ (119,791)

NOTE 4 — INCOME TAXES:

Alabama Ag Credit, ACA and its PCA subsidiary, Alabama Ag Credit, PCA (Associations) are subject to federal and certain other income taxes. The Associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue Code. Under specified conditions, the Associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. The Association has recorded a full valuation allowance against its deferred tax asset as of June 30, 2015 based on management's estimate that it is more likely than not that the deferred tax asset will not be realized. For the six months ended June 30, 2015 and 2014, the Associations had no taxable income. The subsidiary, Alabama Ag Credit, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 to the 2014 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

June 30, 2015	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 30,619**	**$ -**	**$ -**	**$ 30,619**

December 31, 2014	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 29,680	$ -	$ -	$ 29,680

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

June 30, 2015	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$ 6,544,430**	**$ 6,544,430**
Other property owned	**-**	**-**	**765,366**	**765,366**

December 31, 2014	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 6,710,967	$ 6,710,967
Other property owned	-	-	592,639	592,639

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Information About Recurring and Nonrecurring Level 3 Fair Value Measurements

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 13 to the 2014 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans were collateral-dependent. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy. As of June 30, 2015, other property owned, net is reported at $685,625 in the consolidated balance sheet.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: As discussed in Note 2 and Note 11 to the 2014 Annual Report to Stockholders, employees of the Association participate in either the District's defined benefit pension plan (DB Plan) or the District's defined contribution plan (DC Plan).

The structure of the DB Plan is characterized as multi-employer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The annual contribution is paid in January of each year, and amortized into expense on a monthly basis; unamortized contributions are included in "Other Assets" in the consolidated balance sheet. The following table represents DB contributions made, amounts amortized into expense, and the remaining unamortized contributions amounts as of June 30, 2015:

	2015	2014
DB contribution	**510,757**	627,158
YTD amortization	**255,379**	313,579
Unamortized contribution	**255,378**	313,579

Association contributions to the DC Plan are expensed as incurred. For the six months ended June 30, 2015 and 2014, the Association recognized pension costs for the DC Plan of $130,099 and $109,649, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. The Association's contributions to the 401(k) plan were $111,226 and $98,801 for the six months ended June 31, 2015 and 2014, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer, and consequently, the liability for these benefits is included in the consolidated balance sheet. The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the six months ended June 30:

	Other Benefits	
	2015	2014
Service cost	**$ 36,604**	$ 28,192
Interest cost	**60,864**	51,710
Expected return on plan assets	**-**	-
Amortization of prior service (credits) costs	**(11,837)**	(13,140)
Amortization of net actuarial (gain) loss	**29,777**	2,278
Net periodic benefit cost	**$ 115,408**	$ 69,040

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2015, was $2,760,022 and is included in "Other Liabilities" in the balance sheet.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 3, 2015, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 3, 2015.