LEGACY AG CREDIT, ACA

2015
Quarterly Report
Third Quarter

For the Quarter Ended September 30, 2015

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this report, that it has been prepared 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.

Joseph Crouch, Chief Executive Officer
November 5, *2015*

Jerry Cordell, Chairman, Board of Directors
November 5, *2015*

Daryl D. Belt, Chief Financial Officer
November 5, *2015*

Wayne Bawcum, CPA, Chairman, Audit Committee
November 5, *2015*

LEGACY AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Legacy Ag Credit, ACA (Agricultural Credit Association), referred to as the association, for the quarter ended September 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.

Significant Events:

In January 2015, the Board of Directors approved a patronage payment related to 2014 earnings of $1,600,000. The patronage was paid in March 2015.

Loan Portfolio:

Total loans outstanding at September 30, 2015, including nonaccrual loans and sales contracts, were $227,934,583 compared to $228,889,211 at December 31, 2014, reflecting a decrease of 0.4 percent. Nonaccrual loans as a percentage of total loans outstanding were 2.0 percent at September 30, 2015, compared to 1.2 percent at December 31, 2014.

The association recorded $3,389 in recoveries and $0 in charge-offs for the quarter ended September 30, 2015, and $47,444 in recoveries and $72,559 in charge-offs for the same period in 2014. The association's allowance for loan losses was 1.0 percent and 1.3 percent of total loans outstanding as of September 30, 2015, and December 31, 2014, respectively.

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.

	September 30, 2015		December 31, 2014	
	Amount	**%**	Amount	%
Nonaccrual	**$ 4,606,859**	**55.5%**	$ 2,791,617	43.8%
Formally restructured	**3,482,982**	**41.9%**	3,289,626	51.6%
Other property owned, net	**218,741**	**2.6%**	295,631	4.6%
Total	**$ 8,308,582**	**100.0%**	$ 6,376,874	100.0%

Results of Operations:

The association had net income of $914,741 and $3,485,985 for the three and nine months ended September 30, 2015, as compared to net income of $1,869,083 and $3,964,500 for the same period in 2014, reflecting a decrease of 51.1 and 12.1 percent respectively. This decrease is primarily due to the sale of other property owned that occurred in 2014. Net interest income was $1,886,741 and $5,825,530 for the three and nine months ended September 30, 2015, compared to $1,926,619 and $5,789,563 for the same period in 2014. The provision for loan losses was ($19,242) and ($690,576) for the three and six months ended September 30, 2015, as compared to $48,394 and $24,448 for the same period in 2014. A negative value for this item denotes negative provision for loan losses. A large loan relationship that paid off in the first quarter of 2015, and a reassessment of the perceived risk in a commodity group in the second quarter of 2015 were the main contributors to the negative provision for loan losses.

	Nine months ended:			
	September 30, 2015		September 30, 2014	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 223,798,059**	**$ 8,698,312**	$ 221,763,969	$ 8,620,329
Interest-bearing liabilities	**173,177,710**	**2,872,782**	175,056,234	2,830,766
Impact of capital	**$ 50,620,349**		$ 46,707,735	
Net interest income		**$ 5,825,530**		$ 5,789,563

	2015 Average Yield	2014 Average Yield
Yield on loans	**5.20%**	5.20%
Cost of interest-bearing liabilities	**2.22%**	2.16%
Interest rate spread	**2.98%**	3.04%
Net interest income as a percentage of average earning assets	**3.48%**	3.49%

	Nine months ended: September 30, 2015 vs. September 30, 2014		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 79,068**	**$ (1,085)**	**$ 77,983**
Interest expense	**(30,377)**	**72,393**	**42,016**
Net interest income	**$ 109,445**	**$ (73,478)**	**$ 35,967**

Interest income for the three and nine months ended September 30, 2015, decreased by $59,456 and increased by $77,983, or 2.0 and 0.9 percent, respectively, from the same period of 2014, primarily due an increase in average loan volume. Interest expense for the three and nine months ended September 30, 2015, decreased by $19,578 and increased by $42,016, or 2.0 and 1.5 percent, respectively, from the same period of 2014 due to an increase in interest rates offset by a decrease in average debt volume. Average loan volume for the third quarter of 2015 was $224,385,657, compared to $227,646,088 in the third quarter of 2014. The average net interest rate spread on the loan portfolio for the third quarter of 2015 was 2.84 percent, compared to 2.91 percent in the third quarter of 2014.

The association's return on average assets for the nine months ended September 30, 2015, was 2.05 percent compared to 2.35 percent for the same period in 2014. The association's return on average equity for the nine months ended September 30, 2015, was 8.88 percent, compared to 10.84 percent for the same period in 2014.

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 Systemwide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	September 30, 2015	December 31, 2014
Note payable to the bank	**$ 176,153,820**	$ 177,687,550
Accrued interest on note payable	**317,933**	337,241
Total	**$ 176,471,753**	$ 178,024,791

The association operates under a general financing agreement (GFA) with the bank. The current GFA is effective through September 30, 2018. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $176,153,820 as of September 30, 2015, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 2.22 percent at September 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 general financing agreement. The decrease in note payable to the bank and related accrued interest payable since December 31, 2014, is due to the association's decrease in loan volume. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $51,387,593 at September 30, 2015. The maximum amount the association may borrow from the bank as of September 30, 2015, was $212,901,642 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, 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.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued in the future. As borrower payments are received, they are applied to the association's note payable to the bank.

Capital Resources:

The association's capital position increased by $1,876,177 at September 30, 2015, compared to December 31, 2014. The association's debt as a percentage of members' equity was 3.30:1 as of September 30, 2015, compared to 3.45:1 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 September 30, 2015, was 23.3 percent, which is in compliance with the FCA's minimum permanent capital standard. The association's core surplus ratio and total surplus ratio at September 30, 2015, were 22.8 and 22.8 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

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 Legacy 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 quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Legacy Ag Credit, ACA, 303 Connally St., Sulphur Springs, TX 75482 or calling (903)885-9566. The annual and quarterly stockholder reports for the association are also available on its website at www.legacyaca.com. Copies of the association's quarterly stockholder reports can also be requested by e-mailing sherry.jennings@legacyaca.com.

LEGACY AG CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Cash	**$ 101,398**	$ 96,944
Loans	**227,934,583**	228,889,211
Less: allowance for loan losses	**2,362,091**	3,026,371
Net loans	**225,572,492**	225,862,840
Accrued interest receivable	**1,447,475**	1,275,553
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**3,506,090**	3,506,090
Other	**97,342**	170,855
Other property owned, net	**218,741**	295,631
Premises and equipment, net	**486,432**	576,391
Other assets	**561,556**	138,809
Total assets	**$ 231,991,526**	$ 231,923,113
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 176,153,820**	$ 177,687,550
Accrued interest payable	**318,405**	337,241
Drafts outstanding	**724,588**	725,500
Other liabilities	**828,222**	1,082,508
Total liabilities	**178,025,035**	179,832,799
MEMBERS' EQUITY		
Capital stock and participation certificates	**1,092,690**	1,080,365
Unallocated retained earnings	**52,742,934**	50,856,949
Accumulated other comprehensive income (loss)	**130,867**	153,000
Total members' equity	**53,966,491**	52,090,314
Total liabilities and members' equity	**$ 231,991,526**	$ 231,923,113

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

LEGACY AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
INTEREST INCOME				
Loans	**$ 2,853,718**	$ 2,913,174	**$ 8,698,312**	$ 8,620,329
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**966,977**	986,555	**2,872,780**	2,830,747
Advance conditional payments	**-**	-	**2**	19
Total interest expense	**966,977**	986,555	**2,872,782**	2,830,766
Net interest income	**1,886,741**	1,926,619	**5,825,530**	5,789,563
PROVISION FOR LOAN LOSSES	**(19,242)**	48,394	(690,576)	24,448
Net interest income after provision for loan losses	**1,905,983**	1,878,225	**6,516,106**	5,765,115
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**148,830**	135,247	**445,892**	451,638
Loan fees	**43,282**	31,747	**108,570**	105,144
Financially related services income	**100**	122	**516**	445
Gain on other property owned, net	**-**	1,281,342	**-**	1,266,651
Gain (loss) on sale of premises and equipment, net	**19,656**	-	**19,656**	-
Other noninterest income	**89**	-	**23,140**	20,847
Total noninterest income	**211,957**	1,448,458	**597,774**	1,844,725
NONINTEREST EXPENSES				
Salaries and employee benefits	**638,891**	719,810	**2,131,243**	2,011,487
Directors' expense	**42,212**	49,859	**174,115**	148,199
Purchased services	**130,830**	122,386	**266,844**	311,326
Travel	**50,210**	71,815	**178,904**	199,409
Occupancy and equipment	**72,190**	61,600	**185,117**	172,173
Communications	**26,084**	21,605	**75,867**	61,702
Advertising	**33,978**	46,005	**79,780**	86,424
Public and member relations	**27,283**	27,277	**100,972**	84,879
Supervisory and exam expense	**21,491**	20,545	**57,798**	66,243
Insurance Fund premiums	**48,541**	48,386	**148,025**	140,935
Provision for other property owned	**76,704**	236,662	**76,890**	237,159
Loss on other property owned, net	**2,077**	-	**6,361**	-
Other noninterest expense	**32,708**	31,650	**145,979**	125,404
Total noninterest expenses	**1,203,199**	1,457,600	**3,627,895**	3,645,340
NET INCOME	**914,741**	1,869,083	**3,485,985**	3,964,500
Other comprehensive income:				
Change in postretirement benefit plans	**(7,378)**	(10,498)	**(22,133)**	(31,495)
COMPREHENSIVE INCOME	**$ 907,363**	$ 1,858,585	**$ 3,463,852**	$ 3,933,005

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

LEGACY AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 1,021,690	$ 46,935,078	$ 237,475	$ 48,194,243
Comprehensive income	-	3,964,500	(31,495)	3,933,005
Capital stock/participation certificates and allocated retained earnings issued	128,595	-	-	128,595
Capital stock/participation certificates and allocated retained earnings retired	(75,825)	-	-	(75,825)
Patronage paid	-	(1,250,000)	-	(1,250,000)
Balance at September 30, 2014	$ 1,074,460	$ 49,649,578	$ 205,980	$ 50,930,018
Balance at December 31, 2014	$ 1,080,365	$ 50,856,949	$ 153,000	$ 52,090,314
Comprehensive income	-	3,485,985	(22,133)	3,463,852
Capital stock/participation certificates and allocated retained earnings issued	104,355	-	-	104,355
Capital stock/participation certificates and allocated retained earnings retired	(92,030)	-	-	(92,030)
Patronage paid	-	(1,600,000)	-	(1,600,000)
Balance at September 30, 2015	**$ 1,092,690**	**$ 52,742,934**	**$ 130,867**	**$ 53,966,491**

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

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Legacy 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 Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt and Wood in the State of Texas. 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 generally accepted accounting principles (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 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. These interim financial statements 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. 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.

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 August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning 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 September 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 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	September 30, 2015 Amount	December 31, 2014 Amount
Production agriculture:		
Real estate mortgage	**$ 187,067,182**	$ 193,114,291
Production and intermediate term	**11,383,686**	10,016,152
Agribusiness:		
Processing and marketing	**11,763,783**	7,971,551
Farm-related business	**949,325**	999,124
Communication	**2,126,206**	1,250,361
Energy	**7,160,312**	7,875,308
Water and waste water	**1,992,490**	1,991,857
Rural residential real estate	**5,491,599**	5,670,567
Total	**$ 227,934,583**	$ 228,889,211

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 September 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	$ 1,694,932	$ 1,100,127	$ -	$ -	$ 1,694,932	$ 1,100,127
Production and intermediate term	2,861,172	-	-	-	2,861,172	-
Agribusiness	12,713,107	-	-	-	12,713,107	-
Communication	2,126,206	-	-	-	2,126,206	-
Energy	7,099,947	-	-	-	7,099,947	-
Water and waste water	1,992,490	-	-	-	1,992,490	-
Total	$ 28,487,854	$ 1,100,127	$ -	$ -	$ 28,487,854	$ 1,100,127

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

	September 30, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	**$ 4,510,262**	$ 2,650,134
Production and intermediate term	**78,072**	120,867
Rural residential real estate	**18,525**	20,616
Total nonaccrual loans	**4,606,859**	2,791,617
Accruing restructured loans:		
Real estate mortgage	**3,482,982**	3,289,626
Total accruing restructured loans	**3,482,982**	3,289,626
Total nonperforming loans	**8,089,841**	6,081,243
Other property owned	**218,741**	295,631
Total nonperforming assets	**$ 8,308,582**	$ 6,376,874

One credit quality indicator utilized by the association is the Farm Credit Administration 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:

	September 30, 2015	December 31, 2014
Real estate mortgage		
Acceptable	**87.2** %	83.2 %
OAEM	**8.9**	12.6
Substandard/doubtful	**3.9**	4.2
	100.0	100.0
Production and intermediate term		
Acceptable	**86.1**	83.1
OAEM	**0.2**	0.3
Substandard/doubtful	**13.7**	16.6
	100.0	100.0
Agribusiness		
Acceptable	**100.0**	-
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	-
Energy		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.2**	99.0
OAEM	**0.5**	0.6
Substandard/doubtful	**0.3**	0.4
	100.0	100.0
Water/waste water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**88.7**	85.1
OAEM	**7.4**	10.6
Substandard/doubtful	**3.9**	4.3
	100.0 %	100.0 %

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

September 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	**$ 1,448,323**	**$ 2,779,407**	**$ 4,227,730**	**$ 184,109,030**	**$ 188,336,760**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**11,488,415**	**11,488,415**	**-**
Processing and marketing	**-**	**-**	**-**	**11,769,434**	**11,769,434**	**-**
Farm-related business	**-**	**-**	**-**	**949,784**	**949,784**	**-**
Communication	**-**	**-**	**-**	**2,126,349**	**2,126,349**	**-**
Energy	**-**	**-**	**-**	**7,197,315**	**7,197,315**	**-**
Water and waste water	**-**	**-**	**-**	**2,002,712**	**2,002,712**	**-**
Rural residential real estate	**-**	**-**	**-**	**5,511,289**	**5,511,289**	**-**
Total	**$ 1,448,323**	**$ 2,779,407**	**$ 4,227,730**	**$ 225,154,328**	**$ 229,382,058**	**$ -**

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	$ 1,833,508	$ -	$ 1,833,508	$ 192,387,629	$ 194,221,137	$ -
Production and intermediate term	37,499	-	37,499	10,029,649	10,067,148	-
Processing and marketing	-	-	-	7,977,546	7,977,546	-
Farm-related business	-	-	-	999,482	999,482	-
Communication	-	-	-	1,250,464	1,250,464	-
Energy	-	-	-	7,939,269	7,939,269	-
Water and waste water	-	-	-	2,019,635	2,019,635	-
Rural residential real estate	-	-	-	5,690,083	5,690,083	-
Total	$ 1,871,007	$ -	$ 1,871,007	$ 228,293,757	$ 230,164,764	$ -

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 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. Troubled debt restructurings 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 September 30, 2015, the total recorded investment of troubled debt restructured loans was $4,032,298, including $549,316 classified as nonaccrual and $3,482,982 classified as accrual, with specific allowance for loan losses of $685,675. The specific allowance is determined quarterly through a net realizable analysis for each individual loan asset. There were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring at September 30, 2015 and December 31, 2014.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the three and nine months ended September 30, 2015 and 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 September 30, 2015	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 125,872	$ 122,984
Total	$ 125,872	$ 122,984

For the Three Months Ended September 30, 2014	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 1,045,425	$ 945,365
Total	$ 1,045,425	$ 945,365

For the Nine Months Ended September 30, 2015	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 374,282	$ 373,837
Total	$ 374,282	$ 373,837

For the Nine Months Ended September 30, 2014	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 1,224,534	$ 1,122,681
Production and intermediate term	88,633	84,162
Total	$ 1,313,167	$ 1,206,843

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). There were no charge-offs recorded at the modification date for the quarter ending September 30, 2015.

The predominant form of concession granted for troubled debt restructuring includes principal and interest reductions. Other types of modifications include extension of the term, principal or accrued interest reductions, interest rate decreases and delayed payments, 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 troubled debt restructuring.

There were no loans in 2015 or 2014 that met the accounting criteria as a troubled debt restructuring 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.

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*	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Real estate mortgage	$ 3,963,382	$ 3,674,258	$ 480,400	$ 384,632
Production and intermediate term	68,916	74,645	68,916	74,645
Total	$ 4,032,298	$ 3,748,903	$ 549,316	$ 459,277

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	September 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	**$ 2,984,080**	**$ 3,004,304**	**$ 696,960**	$ 2,808,638	$ 2,857,814	$ 693,114
Production and intermediate term	**68,916**	**68,938**	**14,882**	104,306	112,729	52,816
Total	**$ 3,052,996**	**$ 3,073,242**	**$ 711,842**	$ 2,912,944	$ 2,970,543	$ 745,930
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 5,009,165**	**$ 5,049,819**	**$ -**	$ 3,131,122	$ 3,165,359	$ -
Production and intermediate term	**9,155**	**2,451,128**	**-**	16,561	2,758,068	-
Rural residential real estate	**18,525**	**18,587**	**-**	20,616	20,678	-
Total	**$ 5,036,845**	**$ 7,519,534**	**$ -**	$ 3,168,299	$ 5,944,105	$ -
Total impaired loans:						
Real estate mortgage	**$ 7,993,245**	**$ 8,054,123**	**$ 696,960**	$ 5,939,760	$ 6,023,173	$ 693,114
Production and intermediate term	**78,071**	**2,520,066**	**14,882**	120,867	2,870,797	52,816
Rural residential real estate	**18,525**	**18,587**	**-**	20,616	20,678	-
Total	**$ 8,089,841**	**$ 10,592,776**	**$ 711,842**	$ 6,081,243	$ 8,914,648	$ 745,930

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2015		September 30, 2014		**September 30, 2015**		September 30, 2014	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$ 2,794,277**	**$ 32,327**	$ 2,830,125	$ 48,322	**$ 2,772,675**	**$ 131,663**	$ 2,755,242	$ 129,132
Production and intermediate term	**69,950**	**-**	111,265	-	**70,028**	**-**	115,863	-
Total	**$ 2,864,227**	**$ 32,327**	$ 2,941,390	$ 48,322	**$ 2,842,703**	**$ 131,663**	$ 2,871,105	$ 129,132
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$ 4,807,412**	**$ 119,326**	$ 2,815,927	$ 11,053	**$ 3,652,129**	**$ 266,568**	$ 2,778,497	$ 29,966
Production and intermediate term	**9,846**	**1,889**	8,562	107	**19,136**	**1,889**	10,819	3,487
Rural residential real estate	**18,796**	**-**	21,518	-	**19,488**	**-**	22,120	-
Total	**$ 4,836,054**	**$ 121,215**	$ 2,846,007	$ 11,160	**$ 3,690,753**	**$ 268,457**	$ 2,811,436	$ 33,453
Total impaired loans:								
Real estate mortgage	**$ 7,601,689**	**$ 151,653**	$ 5,646,052	$ 59,375	**$ 6,424,804**	**$ 398,231**	$ 5,533,739	$ 159,098
Production and intermediate term	**79,796**	**1,889**	119,827	107	**89,164**	**1,889**	126,682	3,487
Rural residential real estate	**18,796**	**-**	21,518	-	**19,488**	**-**	22,120	-
Total	**$ 7,700,281**	**$ 153,542**	$ 5,787,397	$ 59,482	**$ 6,533,456**	**$ 400,120**	$ 5,682,541	$ 162,585

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	Energy	Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at June 30, 2015	$ 2,171,833	$ 158,244	$ 12,282	$ 1,706	$ 18,082	$ 11,320	$ 4,477	$ 2,377,944
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	1,389	2,000	-	-	-	-	-	3,389
Provision for loan losses	(29,294)	9,764	1,568	147	(1,292)	16	(151)	(19,242)
Balance at September 30, 2015	$ 2,143,928	$ 170,008	$ 13,850	$ 1,853	$ 16,790	$ 11,336	$ 4,326	$ 2,362,091
Balance at December 31, 2014	$ 2,776,745	$ 201,056	$ 11,399	$ 1,330	$ 20,953	$ 11,314	$ 3,574	$ 3,026,371
Charge-offs	(1,375)	-	-	-	-	-	-	(1,375)
Recoveries	19,686	7,985	-	-	-	-	-	27,671
Provision for loan losses	(651,128)	(39,033)	2,451	523	(4,163)	22	752	(690,576)
Balance at September 30, 2015	$ 2,143,928	$ 170,008	$ 13,850	$ 1,853	$ 16,790	$ 11,336	$ 4,326	$ 2,362,091
Ending Balance:								
Individually evaluated for impairment	$ 696,960	$ 14,882	$ -	$ -	$ -	$ -	$ -	$ 711,842
Collectively evaluated for impairment	1,446,968	155,126	13,850	1,853	16,790	11,336	4,326	1,650,249
Balance at September 30, 2015	$ 2,143,928	$ 170,008	$ 13,850	$ 1,853	$ 16,790	$ 11,336	$ 4,326	$ 2,362,091
Balance at June 30, 2014	$ 2,862,465	$ 276,897	$ 11,769	$ 2,710	$ 25,407	$ 10,423	$ 4,009	$ 3,193,680
Charge-offs	(49,176)	(23,383)	-	-	-	-	-	(72,559)
Recoveries	-	47,444	-	-	-	-	-	47,444
Provision for loan losses	144,024	(85,655)	927	(117)	(10,963)	891	(713)	48,394
Balance at September 30, 2014	$ 2,957,313	$ 215,303	$ 12,696	$ 2,593	$ 14,444	$ 11,314	$ 3,296	$ 3,216,959
Balance at December 31, 2013	$ 2,995,027	$ 252,804	$ 6,279	$ 3,064	$ 25,845	$ 10,319	$ 6,185	$ 3,299,523
Charge-offs	(151,891)	(23,383)	-	-	-	-	-	(175,274)
Recoveries	400	67,862	-	-	-	-	-	68,262
Provision for loan losses	113,777	(81,980)	6,417	(471)	(11,401)	995	(2,889)	24,448
Balance at September 30, 2014	$ 2,957,313	$ 215,303	$ 12,696	$ 2,593	$ 14,444	$ 11,314	$ 3,296	$ 3,216,959
Ending Balance:								
Individually evaluated for impairment	$ 699,736	$ 60,356	$ -	$ -	$ -	$ -	$ -	$ 760,092
Collectively evaluated for impairment	2,257,577	154,947	12,696	2,593	14,444	11,314	3,296	2,456,867
Balance at September 30, 2014	$ 2,957,313	$ 215,303	$ 12,696	$ 2,593	$ 14,444	$ 11,314	$ 3,296	$ 3,216,959

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at September 30, 2015	$ 188,336,760	$ 11,488,415	$12,719,218	$2,126,349	$7,197,315	$2,002,712	$5,511,289	$ 229,382,058
Individually evaluated for impairment	$ 7,993,244	$ 78,072	$ -	$ -	$ -	$ -	$ 18,525	$ 8,089,841
Collectively evaluated for impairment	$ 180,343,516	$ 11,410,343	$12,719,218	$2,126,349	$7,197,315	$2,002,712	$5,492,764	$ 221,292,217
Ending Balance at September 30, 2014	$ 195,465,208	$ 9,773,812	$ 9,932,020	$1,305,409	$8,022,664	$1,999,421	$5,201,076	$ 231,699,610
Individually evaluated for impairment	$ 6,119,800	$ 113,440	$ -	$ -	$ -	$ -	$ 21,246	$ 6,254,486
Collectively evaluated for impairment	$ 189,345,408	$ 9,660,372	$ 9,932,020	$1,305,409	$8,022,664	$1,999,421	$5,179,830	$ 225,445,124

NOTE 4 — 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 and lease portfolios; 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, which is reported net of taxes, as follows:

September 30, 2015	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 130,867**	**$ -**	**$ 130,867**

September 30, 2014	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 205,980	$ -	$ 205,980

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 nine months ended September 30, 2015:

	2015	2014
Accumulated other comprehensive income (loss) at January 1	**$ 153,000**	$ 237,475
Amortization of prior service (credit) costs included in salaries and employee benefits	**(6,161)**	(6,410)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(15,972)**	(25,085)
Other comprehensive income (loss), net of tax	**(22,133)**	(31,495)
Accumulated other comprehensive income at September 30	**$ 130,867**	$ 205,980

NOTE 5 — INCOME TAXES:

Legacy Ag Credit, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Legacy Ag Credit, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Legacy Ag Credit, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. 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.

NOTE 6 — 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 nonrecurring basis for each of the fair value hierarchy values are summarized below:

September 30, 2015	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ 2,510,008**	**$ 2,510,008**	**$ -**
Other property owned	**-**	**-**	**316,765**	**316,765**	**-**

December 31, 2014	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ 2,167,014	$ 2,167,014	$ -
Other property owned	-	-	316,695	316,695	-

*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 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.

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
Note payable to bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

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. For a more complete description, see Notes to the 2014 Annual Report to Stockholders.

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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

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.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Note payable to the Farm Credit Bank of Texas

The note payable to the bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the association's and bank's loan rates as well as on management estimates. For the purposes of this estimate it is assumed that the cash flow on the note is equal to the principal payments on the association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the nine months ended September 30:

	Other Benefits	
	2015	2014
Service cost	**$ 3,635**	$ 2,988
Interest cost	**6,620**	5,966
Amortization of prior service (credits) costs	**(6,161)**	(6,410)
Amortization of net actuarial (gain) loss	**(15,972)**	(25,085)
Net periodic benefit cost	**$ (11,878)**	$ (22,541)

The association's liability for the unfunded accumulated obligation for these benefits at September 30, 2015, was $199,474 and is included in "Other Liabilities" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer 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 association previously disclosed in its financial statements for the year ended December 31, 2014, that it expected to contribute $0 to the district's defined benefit pension plan in 2015. As of September 30, 2015, $0 of contributions have been made.

NOTE 8 — 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 9 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through November 5, 2015, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.