LOUISIANA LAND BANK, ACA

2015
Quarterly Report
Second Quarter

For the Quarter Ended June 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.

F. Stephen Austin, Chief Executive Officer
August 6, 2015

James Mark Morgan, Chairman, Board of Directors
August 6, 2015

Christopher E. Bentley, Chief Financial Officer
August 6, 2015

LOUISIANA LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, for the quarter 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.

Significant Events:

The Association Board of Directors (Board) elected to declare a $4,500,000 patronage in December of 2014. The patronage was paid to stockholders in April 2015.

The Association entered into a contract on April 16, 2015 to purchase an office building for the Alexandria branch. The transaction closed on April 30, 2015. Occupancy of the new building took place in July 2015. This purchase is not expected to impact capital levels.

The Association collected less interest on non-accrual loans during the first six months of 2015 compared to 2014. As the Association's credit quality continues to improve and stabilize, management believes that collection of interest on non-accrual loans will continue to decrease.

Loan Portfolio:

Total loans outstanding at June 30, 2015, including non-accrual loans and sales contracts, were $639,269,768 compared to $627,120,442 at December 31, 2014, reflecting an increase of 1.9 percent. Non-accrual loans as a percentage of total loans outstanding were 0.7 percent at June 30, 2015, compared to 0.6 percent at December 31, 2014.

The Association recorded $40,655 in recoveries and $3,500 in charge-offs for the quarter ended June 30, 2015, and $17,442 in recoveries and $2,234 in charge-offs for the same period in 2014. The Association's allowance for loan losses was 0.8 percent and 0.8 percent of total loans outstanding as of June 30, 2015, and December 31, 2014, respectively.

Risk Exposure:

High-risk assets include non-accrual 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	**$ 4,574,217**	**71.5%**	$ 3,865,193	48.9%
Formally restructured	**1,107,375**	**17.3%**	3,327,172	42.0%
Other property owned, net	**718,745**	**11.2%**	718,745	9.1%
Total	**$ 6,400,337**	**100.0%**	$ 7,911,110	100.0%

Results of Operations:

The Association had net income of $2,525,304 and $4,600,211 for the three and six months ended June 30, 2015, as compared to net income of $3,103,895 and $5,315,637 for the same period in 2014, reflecting a decrease of 18.6 and 13.5 percent, respectively. Net interest income was $4,561,092 and $8,956,790 for the three and six months ended June 30, 2015, compared to $5,086,784 and $9,484,460 for the same period in 2014.

	Six months ended:			
	June 30, 2015		June 30, 2014	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 630,537,765**	**$ 13,448,998**	$ 611,728,629	$ 13,848,849
Total interest-earning assets	**630,537,765**	**13,448,998**	611,728,629	13,848,849
Interest-bearing liabilities	**504,267,834**	**4,492,208**	493,854,936	4,364,389
Impact of capital	**$ 126,269,931**		$ 117,873,693	
Net interest income		**$ 8,956,790**		$ 9,484,460

	2015 Average Yield	2014 Average Yield
Yield on loans	**4.30%**	4.57%
Total yield on interest-earning assets	**4.30%**	4.57%
Cost of interest-bearing liabilities	**1.80%**	1.78%
Interest rate spread	**2.50%**	2.78%
Net interest income as a percentage of average earning assets	**2.86%**	3.13%

	Six months ended: June 30, 2015 vs. June 30, 2014		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 425,818**	**$ (825,669)**	**$ (399,851)**
Total interest income	**425,818**	**(825,669)**	**(399,851)**
Interest expense	**92,022**	**35,797**	**127,819**
Net interest income	**$ 333,796**	**$ (861,466)**	**$ (527,670)**

Interest income for the three and six months ended June 30, 2015, decreased by $442,390 and $399,851, or 6.1 and 2.9 percent, respectively, from the same period of 2014, primarily due to interest collected on non-accrual loans. The Association collected $702,099 in interest on non-accrual loans during the second quarter of 2014 and $168,746 during the second quarter of 2015. The collection of interest on non-accrual loans has a positive impact on financial metrics and operations. The collection of interest on non-accrual loans should be considered a one-time, nonrecurring event.

Interest expense for the three and six months ended June 30, 2015, increased by $83,302 and $127,819, or 3.8 and 2.9 percent, respectively, from the same period during 2014 due to an increase in average debt volume. Average loan volume for the second quarter of 2015 was $636,620,485, compared to $611,730,810 in the second quarter of 2014. The average net interest rate spread on the loan portfolio for the second quarter of 2015 was 2.52 percent, compared to 2.99 percent in the second quarter of 2014.

Operating expenses increased in the second quarter of 2015 by $62,398, when compared to the second quarter of 2014. Insurance fund premiums increased significantly for the quarter and six months ended June 30, 2015 compared to 2014. Historically, the Association has booked only the Farm Credit System Insurance Corporation expense to insurance fund premiums with the insurance for operations booked to other expense. 2015 has all insurance expense coded to insurance fund premiums. This results in the increase in insurance fund premiums and the decrease in other non-interest expense. Management expects supervisory expense to increase in the third and fourth quarter due to the fact that the majority of the audits for 2015 will occur in the third and fourth quarter of the year.

Communication and travel expense continue to decrease as management seeks efficiencies in these areas. Salary and employee benefits increased for the 6 months of 2015 compared to the first 6 months of 2014. This increase is a result of additional incentive compensation expense during the first quarter of 2015. Director expense has increased for the quarter and six months of 2015 compared to 2014. This increase is due to a change in the Directors' pay schedule as well as a change in the application of Director development training expense.

The Association's return on average assets for the six months ended June 30, 2015, was 1.44 percent compared to 1.71 percent for the same period in 2014. The Association's return on average equity for the six months ended June 30, 2015, was 6.91 percent, compared to 8.33 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.

	June 30, 2015		December 31, 2014	
Note payable to the bank	**$**	**513,928,209**	$	500,169,143
Accrued interest on note payable		**755,537**		763,922
Total	**$**	**514,683,746**	$	500,933,065

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 $513,928,209 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 1.85 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 since December 31, 2014, is due to the Association's increase in accrual loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $124,623,707 at June 30, 2015. The maximum amount the Association may borrow from the Bank as of June 30, 2015, was $639,601,499 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2015, 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 $4,649,671 at June 30, 2015, compared to December 31, 2014. The Association's debt as a percentage of members' equity was 3.82:1 as of June 30, 2015, compared to 3.89:1 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 19.5 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 19.1 and 19.1 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

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.

Regulatory Matters:

On September 4, 2014, the FCA 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 Louisiana Land Bank, 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 Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, La. 71201 or calling 318-387-7535. The annual and quarterly stockholder reports for the Association are also available on its website at *www.louisianalandbank.com* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *debbie.bond@louisianalandbank.com.*

LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

		June 30, 2015 (unaudited)		December 31, 2014
ASSETS				
Cash	$	38,555	$	70,412
Loans		639,269,768		627,120,442
Less: allowance for loan losses		5,330,971		5,203,336
Net loans		633,938,797		621,917,106
Accrued interest receivable		5,757,686		4,837,740
Investment in and receivable from the Farm Credit Bank of Texas:				
Capital stock		9,979,910		9,979,910
Other		1,318,224		997,717
Other property owned, net		718,745		718,745
Premises and equipment, net		3,506,462		3,008,782
Other assets		551,189		429,525
Total assets	$	655,809,568	$	641,959,937
LIABILITIES				
Note payable to the Farm Credit Bank of Texas	$	513,928,209	$	500,169,143
Accrued interest payable		755,537		763,922
Drafts outstanding		417,853		236,037
Patronage distributions payable		151		4,500,532
Other liabilities		4,782,075		5,014,231
Total liabilities		519,883,825		510,683,865
MEMBERS' EQUITY				
Capital stock and participation certificates		2,522,640		2,481,320
Unallocated retained earnings		134,198,351		129,597,692
Accumulated other comprehensive loss		(795,248)		(802,940)
Total members' equity		135,925,743		131,276,072
Total liabilities and members' equity	$	655,809,568	$	641,959,937

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
INTEREST INCOME				
Loans	**$ 6,845,982**	$ 7,288,372	**$ 13,448,998**	$ 13,848,849
Total interest income	**6,845,982**	7,288,372	**13,448,998**	13,848,849
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**2,284,890**	2,201,588	**4,492,208**	4,364,389
Total interest expense	**2,284,890**	2,201,588	**4,492,208**	4,364,389
Net interest income	**4,561,092**	5,086,784	**8,956,790**	9,484,460
PROVISION FOR LOAN LOSSES	**9,778**	-	14,621	-
Net interest income after provision for loan losses	**4,551,314**	5,086,784	**8,942,169**	9,484,460
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**520,735**	517,415	**1,038,101**	1,035,408
Loan fees	**25,402**	38,435	**50,234**	67,456
Financially related services income	**846**	864	**1,518**	1,629
Loss on other property owned, net	**(185)**	(1,500)	**(444)**	(17,686)
Gain on sale of premises and equipment, net	**34,648**	7,271	**124,342**	46,695
Other noninterest income	**50,831**	49,111	**51,831**	50,161
Total noninterest income	**632,277**	611,596	**1,265,582**	1,183,663
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,637,592**	1,620,846	**3,607,882**	3,381,262
Directors' expense	**126,005**	74,968	**227,516**	177,837
Purchased services	**148,014**	139,634	**242,608**	265,308
Travel	**125,373**	132,343	**218,120**	257,180
Occupancy and equipment	**127,127**	123,888	**251,722**	239,450
Communications	**35,567**	41,127	**67,474**	74,530
Advertising	**87,985**	86,429	**194,866**	194,659
Public and member relations	**63,651**	74,140	**147,477**	144,541
Supervisory and exam expense	**55,221**	70,397	**173,129**	180,852
Insurance Fund premiums	**181,302**	135,291	**341,779**	270,303
Provision for losses on other property owned, net		-		5,359
Other noninterest expense	**69,046**	95,422	**133,044**	161,205
Total noninterest expenses	**2,656,883**	2,594,485	**5,605,617**	5,352,486
Income before income taxes	**2,526,708**	3,103,895	**4,602,134**	5,315,637
Provision for income taxes	**1,404**	-	**1,923**	-
NET INCOME	**2,525,304**	3,103,895	**4,600,211**	5,315,637
Other comprehensive income:				
Change in postretirement benefit plans	**3,846**	(10,014)	**7,692**	(20,028)
Other comprehensive income, net of tax	**3,846**	(10,014)	**7,692**	(20,028)
COMPREHENSIVE INCOME	**$ 2,529,150**	$ 3,093,881	**$ 4,607,903**	$ 5,295,609

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

LOUISIANA LAND BANK, 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	$ 2,899,765	$ 122,482,131	$ (126,794)	$ 125,255,102
Net income	-	5,315,637	-	5,315,637
Other comprehensive income	-	-	(20,028)	(20,028)
Comprehensive income	-	5,315,637	(20,028)	5,295,609
Capital stock/participation certificates				
and allocated retained earnings issued	217,630	-	-	217,630
Capital stock/participation certificates				
and allocated retained earnings retired	(168,440)	-	-	(168,440)
Patronage refunds:				
Cash	-	101,979	-	101,979
Balance at June 30, 2014	$ 2,948,955	$ 127,899,747	$ (146,822)	$ 130,701,880
Balance at December 31, 2014	$ 2,481,320	$ 129,597,692	$ (802,940)	$ 131,276,072
Net income	-	4,600,211	-	4,600,211
Other comprehensive income	-	-	7,692	7,692
Comprehensive income	-	4,600,211	7,692	4,607,903
Capital stock/participation certificates				
and allocated retained earnings issued	177,965	-	-	177,965
Capital stock/participation certificates				
and allocated retained earnings retired	(136,645)	-	-	(136,645)
Patronage refunds:				
Cash	-	448	-	448
Balance at June 30, 2015	**$ 2,522,640**	**$ 134,198,351**	**$ (795,248)**	**$ 135,925,743**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Louisiana Land Bank, 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 parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge,West Carroll, West Feliciana, and Winn in the state of Louisiana. The Association is a lending institution of 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 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. 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	**$ 539,641,669**	$ 538,841,540
Production and intermediate term	**42,176,846**	37,507,404
Agribusiness:		
Loans to cooperatives	**6,780,775**	3,076,029
Processing and marketing	**8,528,132**	5,901,067
Farm-related business	**15,962,378**	18,013,689
Communication	**8,444,474**	6,174,404
Energy	**2,208,733**	1,750,993
Water and waste water	**794,160**	941,920
Rural residential real estate	**14,646,448**	14,827,243
Lease receivables	**86,153**	86,153
Total	**$ 639,269,768**	$ 627,120,442

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	$ 12,642,277	$ 30,927,167	$ 3,653,454	$ -	$ 16,295,731	$ 30,927,167
Production and intermediate term	8,653,443	11,341,612	-	-	8,653,443	11,341,612
Agribusiness	9,000,130	-	4,907,342	3,395,860	13,907,472	3,395,860
Communication	8,444,474	-	-	-	8,444,474	-
Energy	2,208,733	-	-	-	2,208,733	-
Water and waste water	794,160	-	-	-	794,160	-
Total	$ 41,743,217	$ 42,268,779	$ 8,560,796	$ 3,395,860	$ 50,304,013	$ 45,664,639

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

	June 30, 2015	December 31, 2014
Non-accrual loans:		
Real estate mortgage	**$ 3,327,692**	$ 2,601,544
Production and intermediate term	**9,250**	-
Agribusiness	**898,178**	906,566
Rural residential real estate	**339,097**	357,083
Total non-accrual loans	**4,574,217**	3,865,193
Accruing restructured loans:		
Real estate mortgage	**917,344**	3,132,308
Rural residential real estate	**190,031**	194,864
Total accruing restructured loans	**1,107,375**	3,327,172
Total nonperforming loans	**5,681,592**	7,192,365
Other property owned	**718,745**	718,745
Total nonperforming assets	**$ 6,400,337**	$ 7,911,110

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:

	June 30, 2015	December 31, 2014
Real estate mortgage		
Acceptable	**98.5** %	98.2 %
OAEM	**0.5**	0.3
Substandard/doubtful	**1.0**	1.5
	100.0	100.0
Production and intermediate term		
Acceptable	**91.0**	89.3
OAEM	**9.0**	10.7
Substandard/doubtful	**-**	-
	100.0	100.0
Agribusiness		
Acceptable	**90.6**	83.2
OAEM	**-**	-
Substandard/doubtful	**9.4**	16.8
	100.0	100.0
Energy and water/waste water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**96.7**	95.2
OAEM	**-**	-
Substandard/doubtful	**3.3**	4.8
	100.0	100.0
Rural residential real estate		
Acceptable	**96.5**	96.6
OAEM	**1.2**	1.0
Substandard/doubtful	**2.3**	2.4
	100.0	100.0
Lease receivables		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**97.6**	97.6
OAEM	**1.0**	1.0
Substandard/doubtful	**1.4**	1.4
	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	**$ 1,027,210**	**$ 2,482,305**	**$ 3,509,515**	**$ 541,472,003**	**$ 544,981,518**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**42,403,615**	**42,403,615**	**-**
Loans to cooperatives	**-**	**-**	**-**	**6,814,038**	**6,814,038**	**-**
Processing and marketing	**-**	**-**	**-**	**8,533,124**	**8,533,124**	**-**
Farm-related business	**-**	**-**	**-**	**16,030,676**	**16,030,676**	**-**
Communication	**-**	**-**	**-**	**8,445,241**	**8,445,241**	**-**
Energy	**-**	**-**	**-**	**2,209,189**	**2,209,189**	**-**
Water and waste water	**-**	**-**	**-**	**794,265**	**794,265**	**-**
Rural residential real estate	**575,192**	**16,766**	**591,958**	**14,135,060**	**14,727,018**	**-**
Lease receivables	**-**	**-**	**-**	**88,770**	**88,770**	**-**
Total	**$ 1,602,402**	**$ 2,499,071**	**$ 4,101,473**	**$ 640,925,981**	**$ 645,027,454**	**$ -**

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	$ 1,165,915	$ 333,087	$ 1,499,002	$ 541,751,694	$ 543,250,696	$ -
Production and intermediate term	32,062	-	32,062	37,750,373	37,782,435	-
Loans to cooperatives	-	-	-	3,093,736	3,093,736	-
Processing and marketing	-	-	-	5,904,647	5,904,647	-
Farm-related business	-	-	-	18,077,670	18,077,670	-
Communication	-	-	-	6,175,125	6,175,125	-
Energy	-	-	-	1,751,189	1,751,189	-
Water and waste water	-	-	-	942,017	942,017	-
Rural residential real estate	477,489	14,749	492,238	14,402,276	14,894,514	-
Lease receivables	-	-	-	86,153	86,153	-
Total	$ 1,675,466	$ 347,836	$ 2,023,302	$ 629,934,880	$ 631,958,182	$ -

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 June 30, 2015, the total recorded investment of troubled debt restructured loans was $4,095,915, including $2,988,540 classified as non-accrual and $1,107,375 classified as accrual, with specific allowance for loan losses of $101,985. As of June 30, 2015 and December 31, 2014, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and non-accrual loans with troubled debt restructuring designation, that occurred during the three and six months ended June 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 June 30, 2015	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 450,114	$ 459,499
Total	$ 450,114	$ 459,499

There was no activity for the three months ended June 30, 2014.

For the Six Months Ended June 30, 2015	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 2,505,531	$ 2,516,385
Total	$ 2,505,531	$ 2,516,385

For the Six Months Ended June 30, 2014	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Rural residential real estate	$ 95,686	$ 131,195
Total	$ 95,686	$ 131,195

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). Charge-offs recorded at the modification date were $0 for the quarter ending June 30, 2015.

The predominant form of concession granted for troubled debt restructuring includes rate reduction and term extension. Other types of modifications include 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 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.

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	$ 3,006,080	$ 3,490,639	$ 2,088,737	$ 358,331
Farm-related business	898,178	906,566	898,178	906,566
Rural residential real estate	191,657	199,490	1,625	4,626
Total	$ 4,095,915	$ 4,596,695	$ 2,988,540	$ 1,269,523

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

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:						
Farm-related business	**$ 989,122**	**$ 4,822,345**	**$ 101,985**	$ 906,565	$ 4,830,788	$ 124,742
Rural residential real estate	**-**	**-**	**-**	14,749	14,749	1,200
Total	**$ 989,122**	**$ 4,822,345**	**$ 101,985**	$ 921,314	$ 4,845,537	$ 125,942
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 4,240,736**	**$ 4,671,097**	**$ -**	$ 5,733,852	$ 6,141,751	$ -
Production and intermediate term	**9,250**	**9,273**	**-**	-	-	-
Farm-related business	**56**	**151,342**	**-**	-	182,993	-
Rural residential real estate	**528,621**	**531,000**	**-**	537,199	537,864	-
Total	**$ 4,778,663**	**$ 5,362,712**	**$ -**	$ 6,271,051	$ 6,862,608	$ -
Total impaired loans:						
Real estate mortgage	**$ 4,240,736**	**$ 4,671,097**	**$ -**	$ 5,733,852	$ 6,141,751	$ -
Production and intermediate term	**9,250**	**9,273**	**-**	-	-	-
Farm-related business	**989,178**	**4,973,687**	**101,985**	906,565	5,013,781	124,742
Rural residential real estate	**528,621**	**531,000**	**-**	551,948	552,613	1,200
Total	**$ 5,767,785**	**$ 10,185,057**	**$ 101,985**	$ 7,192,365	$ 11,708,145	$ 125,942

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

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2015		June 30, 2014		**June 30, 2015**		June 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	**$ -**	**$ -**	$ 302,880	$ 3,160	**$ -**	**$ -**	$ 309,476	$ 6,421
Farm-related business	**898,168**	**-**	960,898	-	**900,336**	**-**	965,379	-
Rural residential real estate	**-**	**-**	14,544	-	**-**	**-**	14,299	-
Total	**$ 898,168**	**$ -**	$ 1,278,322	$ 3,160	**$ 900,336**	**$ -**	$ 1,289,154	$ 6,421
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$ 4,085,737**	**$ 12,606**	$ 3,577,526	$ 20,012	**$ 3,455,603**	**$ 20,178**	$ 3,510,491	$ 36,793
Production and intermediate term	**102**	**96**	-	-	**51**	**-**	-	-
Farm-related business	**-**	**-**	-	-	**3**	**-**	2	-
Rural residential real estate	**530,998**	**2,144**	533,828	2,631	**537,963**	**4,316**	515,000	5,171
Total	**$ 4,616,837**	**$ 14,846**	$ 4,111,354	$ 22,643	**$ 3,993,620**	**$ 24,494**	$ 4,025,493	$ 41,964
Total impaired loans:								
Real estate mortgage	**$ 4,085,737**	**$ 12,606**	**$ 3,880,406**	**$ 23,172**	**$ 3,455,603**	**$ 20,178**	**$ 3,819,967**	**$ 43,214**
Production and intermediate term	**102**	**96**	**-**	**-**	**51**	**-**	**-**	**-**
Farm-related business	**898,168**	**-**	**960,898**	**-**	**900,339**	**-**	**965,381**	**-**
Rural residential real estate	**530,998**	**2,144**	**548,372**	**2,631**	**537,963**	**4,316**	**529,299**	**5,171**
Total	**$ 5,515,005**	**$ 14,846**	$ 5,389,676	$ 25,803	**$ 4,893,956**	**$ 24,494**	$ 5,314,647	$ 48,385

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 and Water/Waste Water	Rural Residential Real Estate	Lease Receivables	Total
Allowance for Credit Losses:								
Balance at March 31, 2015	$ 3,375,490	$ (122,313)	$ 1,632,148	$ 291,702	$ 49,830	$ 37,198	$ 21,112	$ 5,285,167
Charge-offs	(3,477)	(23)	-	-	-	-	-	(3,500)
Recoveries	24,802	-	15,853	-	-	-	-	40,655
Provision for loan losses	9,778	-	-	-	-	-	-	9,778
Other	(1,129)	-	-	-	-	-	-	(1,129)
Balance at June 30, 2015	$ 3,405,464	$ (122,336)	$ 1,648,001	$ 291,702	$ 49,830	$ 37,198	$ 21,112	$ 5,330,971
Balance at December 31, 2014	$ 3,308,312	$ (122,313)	$ 1,616,295	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,203,336
Charge-offs	(3,691)	(23)	-	-	-	(1,200)	-	(4,914)
Recoveries	12,718	-	31,707	12,084	-	-	-	56,509
Provision for loan losses	14,621	-	-	-	-	-	-	14,621
Other	61,419	-	-	-	-	-	-	61,419
Balance at June 30, 2015	$ 3,393,379	$ (122,336)	$ 1,648,002	$ 303,786	$ 49,830	$ 37,198	$ 21,112	$ 5,330,971
Ending Balance:								
Individually evaluated for impairment	$ 9,211	$ -	$ 820,952	$ -	$ -	$ -	$ -	$ 830,163
Collectively evaluated for impairment	3,384,168	(122,336)	827,050	303,786	49,830	37,198	21,112	4,500,808
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Balance at June 30, 2015	$ 3,393,379	$ (122,336)	$ 1,648,002	$ 303,786	$ 49,830	$ 37,198	$ 21,112	$ 5,330,971
Balance at March 31, 2014	$ 3,416,986	$ (122,313)	$ 1,568,734	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,264,449
Charge-offs	(2,234)	-	-	-	-	-	-	(2,234)
Recoveries	1,588	-	15,854	-	-	-	-	17,442
Other	-	-	-	-	-	-	-	-
Balance at June 30, 2014	$ 3,416,340	$ (122,313)	$ 1,584,588	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,279,657
Balance at December 31, 2013	$ 3,418,150	$ (122,313)	$ 1,614,752	$ 291,702	$ 49,830	$ 39,368	$ 21,112	$ 5,312,601
Charge-offs	(3,398)	-	(61,871)	-	-	(970)	-	(66,239)
Recoveries	1,588	-	31,707	-	-	-	-	33,295
Other	-	-	-	-	-	-	-	-
Balance at June 30, 2014	$ 3,416,340	$ (122,313)	$ 1,584,588	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,279,657
Ending Balance:								
Individually evaluated for impairment	$ 60,224	$ -	$ 1,230,524	$ -	$ -	$ 178	$ -	$ 1,290,926
Collectively evaluated for impairment	3,356,116	(122,313)	354,064	291,702	49,830	38,220	21,112	3,988,731
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Balance at June 30, 2014	$ 3,416,340	$ (122,313)	$ 1,584,588	$ 291,702	$ 49,830	$ 38,398	$ 21,112	$ 5,279,657

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Lease Receivables	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at June 30, 2015	$ 544,981,517	$ 42,403,616	$31,377,838	$ 8,445,241	$ 3,003,454	$14,727,018	$ 88,770	$645,027,454
Individually evaluated for impairment	$ 4,289,444	$ -	$ 2,917,492	$ -	$ -	$ 528,621	$ -	$ 7,735,557
Collectively evaluated for impairment	$ 540,692,073	$ 42,403,616	$28,460,346	$ 8,445,241	$ 3,003,454	$14,198,397	$ 88,770	$637,291,897
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance at June 30, 2014	$ 534,464,651	$ 33,210,754	$26,253,826	$ 6,439,248	$ 2,828,433	$13,627,171	$ 103,410	$616,927,493
Individually evaluated for impairment	$ 4,281,327	$ -	$ 3,082,130	$ -	$ -	$ 573,937	$ -	$ 7,937,394
Collectively evaluated for impairment	$ 530,183,324	$ 33,210,754	$23,171,696	$ 6,439,248	$ 2,828,433	$13,053,234	# $ 103,410	$608,990,099
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 3 — CAPITAL:

The Association’s Board 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 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:

June 30, 2015	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 3,127,022**	**$ -**	**$ 3,127,022**
Total	**$ 3,127,022**	**$ -**	**$ 3,127,022**

June 30, 2014	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 2,380,270	$ -	$ 2,380,270
Total	$ 2,380,270	$ -	$ 2,380,270

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	**$ 802,940**	$ (126,794)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(33,239)**	(26,369)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**25,547**	6,341
Other comprehensive income (loss), net of tax	**(7,692)**	(20,028)
Accumulated other comprehensive income at June 30	**$ 795,248**	$ (146,822)

NOTE 4 — INCOME TAXES:

Louisiana Land Bank, 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. Louisiana Land Bank, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Louisiana Land Bank, 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 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 nonrecurring basis for each of the fair value hierarchy values are summarized below:

June 30, 2015	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ 3,742,854**	**$ 3,742,854**	**$ -**
Other property owned	**-**	**-**	**798,606**	**798,606**	**-**

December 31, 2014	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ 3,739,251	$ 3,739,251	$ -
Other property owned	-	-	798,606	798,606	-

*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.

Sensitivity to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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

Valuation Techniques

As more fully discussed in Note 2 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.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

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.

Loans

Fair value is estimated by discounting the expected future cash flows using the Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in non-accrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

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	**$ 37,267**	$ 28,780
Interest cost	**69,068**	59,601
Amortization of prior service (credits) costs	**(25,549)**	(26,369)
Amortization of net actuarial (gain) loss	**33,239**	6,341
Net periodic benefit cost	**$ 114,025**	$ 68,353

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2015, was $3,127,022 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. As of June 30, 2015, $67,568 of contributions have been made. The Association presently anticipates contributing an additional $67,568 to fund the defined benefit pension plan in 2015 for a total of $135,136.

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 6, 2015, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 6, 2015.