Farm Credit of Florida, ACA

FIRST QUARTER 2015

TABLE OF CONTENTS

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2015 quarterly report of Farm Credit of Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Gregory M. Cunningham
Chief Executive Officer

Laura Craker
Chief Financial Officer

Sherwood J. Johnson
Chairman of the Board

May 8, 2015

Farm Credit of Florida, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidate Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2015. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

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

Gregory M. Cunningham
Chief Executive Officer

Laura Craker
Chief Financial Officer

May 8, 2015

Farm Credit of Florida, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Florida, ACA, (Association) for the period ended March 31, 2015. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2014 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

Effective January 1, 2011, Farm Credit of North Florida and Farm Credit of Southwest Florida merged into Farm Credit of South Florida. The merged associations operate under the name of Farm Credit of Florida. The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either of the associations on a stand-alone basis. The merger was accounted for under the acquisition method of accounting.

Additional information regarding the merger including the terminated Financial Assistance Agreement with AgFirst Farm Credit Bank (Bank) is contained in Note 9, *Business Combination,* of the Notes to the Consolidated Financial Statements.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in the north and southern regions of Florida. The commodities include cattle, citrus, dairy, field crops, nurseries, sugar, timber, tropical fruits, and vegetables. All commodity groups identified within the portfolio have experienced generally favorable operating results with the exception of the horticultural or nursery segment which continues to exhibit stress resulting from the recession and reduced activity in commercial and residential construction. Farm size varies throughout the regions and many borrowers have diversified farming operations. This factor, along with numerous opportunities for non-farm income in the territory, reduces the level of dependency on a single agricultural commodity.

Land values in the north region appear to have stabilized over the last 12 months. Land values in the south region show stability with value increase in more urban areas. There have been no significant weather events in the territory that have adversely impacted borrower operations over the past 12 months; however, management recognizes mounting risk in the citrus industry resulting from impacts of citrus greening disease. Continued stress may adversely impact citrus growers over the near and long term horizon.

The gross loan volume of the Association as of March 31, 2015, was $855,340, an increase of $1,393 or 0.16 percent as compared to $853,947 at December 31, 2014. Net loans outstanding at March 31, 2015, were $849,862 as compared to $847,837 at December 31, 2014, an increase of $2,025 or 0.24 percent. Net loans accounted for 94.42 percent of total assets at March 31, 2015, as compared to 93.11 percent of total assets at December 31, 2014. The increase in both gross and net loan volume during the period is primarily attributed to increased demand for credit in the market and a more concerted marketing effort by Association lenders.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has improved compared to year end 2014 as a result of the movement of loans from Substandard to OAEM and the liquidation of loans in process of collection. Acceptable and OAEM credit quality as a percentage of the total loan portfolio was 94.66% as of March 31, 2015 compared to 94.08% at December 31, 2014. During the three months, nonaccrual loans decreased to $26,787 from the $29,686 balance at December 31, 2014. The nonaccrual loan decline is primarily attributed to liquidation of loans in process of collection and other liquidation and curtailments on troubled assets. The balance of Other Property Owned at March 31, 2015 was $3,727 a decrease of $118 or 3.07 percent from the $3,845 balance at December 31, 2014. Sales of properties outpaced acquisitions during the period resulting in this decrease.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2015, was $5,478 compared to $6,110 at December 31, 2014. This decrease is the result of recoveries of $299 recorded during the period offset by a provision for loan loss reversal of $653 and $278 in charge-offs recorded on loans transferred to nonaccrual or other property owned. Management considers the current level of allowance adequate to cover additional possible losses. The ratio of the allowance for loan losses to gross loans at March 31, 2015 was 0.64 percent.

The allowance for loan losses at March 31, 2015 does not include $7.0 million of net purchase discounts related to the acquired loans. The allowance for these loans was not carried forward at acquisition per accounting guidance. However, they were purchased at a net discount, which is the direct reduction to the recorded loan amount, to reflect the credit and market metrics related to the acquired portfolios. At March 31, 2015, the amount of credit risk reduction in addition to the allowance for loan losses, provided by these remaining discounts would equate to 0.82 percent of gross loans.

RESULTS OF OPERATIONS

As a result of the merger on January 1, 2011, $551.5 million in non-impaired loans were purchased at a combined discount of approximately $30.3 million. In accordance with accounting guidance, this discount is to be accreted into interest income over the remaining life of each individual loan. For loans that are paid off early, any remaining discount would be accreted into income at time of pay off. The discount amount accreted into interest income for the three months ended March 31, 2015, was $294.

For the three months ended March 31, 2015

The Association recorded net income for the three months ended March 31, 2015 of $3,615 as compared to $5,301 for the same period in 2014. This $1,686 decrease is primarily attributed to a reduction in the reversal of allowance for loan losses resulting from less recoveries received of amounts previously charged-off compared to prior year offset by a reduction in noninterest expense resulting from reduced staffing costs.

Net interest income was $6,076 for the three months ended March 31, 2015 as compared to $6,337 during the same period in 2014. The change in net interest income represents a $261 or 4.12 percent decrease when compared to the same period last year and is attributed to a decrease in recoveries of interest on nonaccrual loan liquidations.

Noninterest income for the three months ended March 31, 2015, totaled $2,435 as compared to $2,862 for the same period of 2014, a decrease of $427 or 14.92 percent. This decrease is attributed primarily to decreases in other noninterest income of $365.

Noninterest expense for the three months ended March 31, 2015, totaled $5,549 as compared to $6,175 for the same period of 2014, a decrease of $626 or 10.14 percent. The primary reason for the decrease in noninterest expense is attributed to $353 decrease in salaries and employee benefits, $209 decrease in other operating expenses, and $53 increase in gains on other property owned.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. These funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2015, was $656,974 as compared to $662,690 at December 31, 2014. The decrease during the period of $5,716 is primarily attributed to an increase in members' equity resulting from net income for the three months ended 2015, receipt of 2014 patronage dividends due from AgFirst Farm Credit Bank offset by the growth in loan volume during the period.

CAPITAL RESOURCES

Total members' equity at March 31, 2015, increased to $220,543 from the December 31, 2014 total of $217,062. The increase is primarily attributed to the net income during the period.

Total capital stock and participation certificates were $2,379 on March 31, 2015, compared to $2,515 on December 31, 2014. This decrease is attributed to the retirement of protected stock and participation certificates on loans liquidated in the normal course of business.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2015, the Association's total surplus ratio and core surplus ratio were 21.56 percent and 21.56 percent, respectively, and the permanent capital ratio was 21.69 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

As previously disclosed, on June 15, 2012 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The written supervisory agreement required the Association to take corrective actions and other actions with respect to certain areas of its operations, including board governance, director fiduciary duties and standards of conduct, board consultant functions, staffing and succession planning, asset quality, collateral risk, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, and business planning and reporting. In addition, the Association operated under Supervisory Conditions of Merger and maintained compliance with all requirements and conditions.

On September 25, 2014, the Association was notified that the written supervisory agreement and the Supervisory Conditions of Merger were terminated by the FCA board on September 16, 2014. The termination was recognition by the FCA that the conditions that prompted the need for the agreement and the Conditions of Merger have been effectively addressed by the Association.

OTHER MATTERS

On July 25, 2014, the FCA published a proposed rule in the Federal Register to revise the requirements governing the eligibility of investments for System banks and associations. The public comment period ended on October 23, 2014. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System banks and associations.
- To ensure that System banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption.
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers.
- To comply with the requirements of section 939A of the Dodd-Frank Act.
- To modernize the investment eligibility criteria for System banks.
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

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

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

FINANCIAL REGULATORY REFORM

See discussion of the Dodd-Frank Act in the Financial Regulatory Reform section of the Association's 2014 Annual Report.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2014 Annual Report to Shareholders for recently issued accounting pronouncements.

Note: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request, free of charge, by calling (561)-965-9001, or writing Laura Craker, CFO, Farm Credit of Florida, ACA, P. O. Box 213069, West Palm Beach, FL 33421, or accessing the website, *www.farmcreditfl.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Assets		
Cash	**$ 613**	$ 36
Investment securities:		
Held to maturity (fair value of $12,802 and $13,572, respectively)	**12,249**	13,063
Loans	**855,340**	853,947
Allowance for loan losses	**(5,478)**	(6,110)
Net loans	**849,862**	847,837
Loans held for sale	**198**	428
Other investments	**80**	80
Accrued interest receivable	**4,101**	3,209
Investments in other Farm Credit institutions	**12,773**	12,885
Premises and equipment, net	**6,796**	6,900
Other property owned	**3,727**	3,845
Accounts receivable	**2,403**	14,434
Other assets	**7,257**	7,882
Total assets	**$ 900,059**	$ 910,599
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 656,974**	$ 662,690
Accrued interest payable	**1,193**	1,186
Patronage refunds payable	**477**	7,924
Accounts payable	**1,325**	2,129
Advanced conditional payments	**1,972**	1,972
Other liabilities	**17,575**	17,636
Total liabilities	**679,516**	693,537
Commitments and contingencies (Note 8)		
Members' Equity		
Protected borrower stock	**544**	554
Capital stock and participation certificates	**1,835**	1,961
Additional paid-in-capital	**7,873**	7,873
Retained earnings		
Allocated	**103,248**	103,837
Unallocated	**107,283**	103,079
Accumulated other comprehensive income (loss)	**(240)**	(242)
Total members' equity	**220,543**	217,062
Total liabilities and members' equity	**$ 900,059**	$ 910,599

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

Farm Credit of Florida, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2015	2014
Interest Income		
Loans	**$ 9,478**	$ 9,625
Investments	**107**	161
Total interest income	**9,585**	9,786
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	**3,509**	3,449
Net interest income	**6,076**	6,337
Provision for (reversal of allowance for) loan losses	**(653)**	(2,277)
Net interest income after provision for (reversal of allowance for) loan losses	**6,729**	8,614
Noninterest Income		
Loan fees	**151**	129
Fees for financially related services	**383**	353
Patronage refunds from other Farm Credit institutions	**1,649**	1,741
Gains (losses) on sales of rural home loans, net	**46**	8
Gains (losses) on sales of premises and equipment, net	**50**	15
Gains (losses) on other transactions	**11**	106
Other noninterest income	**145**	510
Total noninterest income	**2,435**	2,862
Noninterest Expense		
Salaries and employee benefits	**4,057**	4,410
Occupancy and equipment	**284**	303
Insurance Fund premiums	**204**	196
(Gains) losses on other property owned, net	**(34)**	19
Other operating expenses	**1,038**	1,247
Total noninterest expense	**5,549**	6,175
Net income	**$ 3,615**	$ 5,301

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

Farm Credit of Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2015	2014
Net income	**$ 3,615**	$ 5,301
Other comprehensive income net of tax		
Employee benefit plans adjustments	**2**	1
Comprehensive income	**$ 3,617**	$ 5,302

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

Farm Credit of Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings: Allocated	Retained Earnings: Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 765	$ 2,028	$ 7,873	$102,421	$ 90,829	$ (157)	$ 203,759
Comprehensive income					5,301	1	5,302
Protected borrower stock issued/(retired), net	(23)						(23)
Capital stock/participation certificates issued/(retired), net		(250)					(250)
Patronage distribution adjustment				1,381	(1,382)		(1)
Balance at March 31, 2014	$ 742	$ 1,778	$ 7,873	$103,802	$ 94,748	$ (156)	$ 208,787
Balance at December 31, 2014	**$ 554**	**$ 1,961**	**$ 7,873**	**$103,837**	**$103,079**	**$ (242)**	**$ 217,062**
Comprehensive income					**3,615**	**2**	**3,617**
Protected borrower stock issued/(retired), net	**(10)**						**(10)**
Capital stock/participation certificates issued/(retired), net		**(126)**					**(126)**
Patronage distribution adjustment				**(589)**	**589**		**—**
Balance at March 31, 2015	**$ 544**	**$ 1,835**	**$ 7,873**	**$103,248**	**$107,283**	**$ (240)**	**$ 220,543**

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

Farm Credit of Florida, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of Farm Credit of Florida, ACA (the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2014, are contained in the 2014 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

Accounting Standards Effective During the Period

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

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

- 2014-14 Classification of Certain Government-Guaranteed Mortgage Loans – The Association did not have a significant amount of loans that met the criteria of the guidance.

- 2014-11 Repurchase-to-Maturity Transactions – The Association did not have a significant amount of transactions that met the criteria of the guidance.

- 2014-08 Discontinued Operations – The Association has not had and does not anticipate any significant disposals.

- 2014-04 Reclassification of Consumer Mortgage Loans – The criteria of the standard were not significantly different from the Association's policy in place at adoption. See Note 2, *Loans and Allowance for Loan Losses*, for the additional disclosures required by this guidance.

Note 2 — Loans and Allowance for Loan Losses

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

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

A summary of loans outstanding at period end follows:

	March 31, 2015	December 31, 2014
Real estate mortgage	$ 527,557	$ 535,509
Production and intermediate-term	195,387	190,851
Loans to cooperatives	4,348	1,344
Processing and marketing	84,010	89,658
Farm-related business	18,356	13,329
Communication	18,342	16,764
Energy and water/waste disposal	2,517	1,568
Rural residential real estate	4,823	4,924
Total Loans	$ 855,340	$ 853,947

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present participation loan balances at periods ended:

March 31, 2015	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 1,586	$ 88,882	$ –	$ –	$ 4,639	$ 926	$ 6,225	$ 89,808
Production and intermediate-term	39,279	89,721	17,639	3,245	52,726	–	109,644	92,966
Loans to cooperatives	4,365	–	–	–	–	–	4,365	–
Processing and marketing	82,072	52,707	–	1,475	50,994	–	133,066	54,182
Farm-related business	14,698	–	–	1,721	255	–	14,953	1,721
Communication	18,414	–	–	–	–	–	18,414	–
Energy and water/waste disposal	2,520	–	–	–	–	–	2,520	–
Total	$ 162,934	$ 231,310	$ 17,639	$ 6,441	$ 108,614	$ 926	$ 289,187	$ 238,677

December 31, 2014	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 852	$ 96,970	$ –	$ –	$ 5,118	$ 1,172	$ 5,970	$ 98,142
Production and intermediate-term	40,276	127,053	18,787	3,407	87,030	–	146,093	130,460
Loans to cooperatives	1,348	–	–	–	–	–	1,348	–
Processing and marketing	85,271	64,893	–	11,869	51,124	–	136,395	76,762
Farm-related business	10,348	–	–	1,743	258	–	10,606	1,743
Communication	16,791	–	–	–	–	–	16,791	–
Energy and water/waste disposal	1,571	–	–	–	–	–	1,571	–
Total	$ 156,457	$ 288,916	$ 18,787	$ 17,019	$ 143,530	$ 1,172	$ 318,774	$ 307,107

A significant source of liquidity for the Association is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

March 31, 2015	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 38,304	$ 147,551	$ 341,702	$ 527,557
Production and intermediate term	60,538	105,127	29,722	195,387
Loans to cooperatives	–	4,348	–	4,348
Processing and marketing	47	45,140	38,823	84,010
Farm-related business	846	16,495	1,015	18,356
Communication	–	16,398	1,944	18,342
Energy and water/waste disposal	–	2,517	–	2,517
Rural residential real estate	197	684	3,942	4,823
Total Loans	$ 99,932	$ 338,260	$ 417,148	$ 855,340
Percentage	11.68%	39.55%	48.77%	100.00%

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

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

	March 31, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	90.53%	89.74%
OAEM	3.44	3.47
Substandard/doubtful/loss	6.03	6.79
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	93.23%	93.06%
OAEM	1.98	1.90
Substandard/doubtful/loss	4.79	5.04
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	95.15%	95.31%
OAEM	–	–
Substandard/doubtful/loss	4.85	4.69
	100.00%	100.00%
Farm-related business:		
Acceptable	99.45%	99.45%
OAEM	0.40	0.55
Substandard/doubtful/loss	0.15	–
	100.00%	100.00%

	March 31, 2015	December 31, 2014
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	89.75%	89.62%
OAEM	2.15	2.75
Substandard/doubtful/loss	8.10	7.63
	100.00%	100.00%
Other (including Mission Related)		
Acceptable	100.00%	–%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	–%
Total Loans:		
Acceptable	92.07%	91.45%
OAEM	2.59	2.63
Substandard/doubtful/loss	5.34	5.92
	100.00%	100.00%

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

	March 31, 2015					
	30 Through 89 Days Past Due	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment 90 Days or More Past Due and Accruing Interest**
Real estate mortgage	$ 2,613	$ 6,025	$ 8,638	$ 521,845	$ 530,483	$ –
Production and intermediate-term	1,192	2,779	3,971	192,283	196,254	–
Loans to cooperatives	–	–	–	4,351	4,351	–
Processing and marketing	–	–	–	84,152	84,152	–
Farm-related business	–	–	–	18,389	18,389	–
Communication	–	–	–	18,345	18,345	–
Energy and water/waste disposal	–	–	–	2,517	2,517	–
Rural residential real estate	127	–	127	4,720	4,847	–
Total	$ 3,932	$ 8,804	$ 12,736	$ 846,602	$ 859,338	$ –

	December 31, 2014					
	30 Through 89 Days Past Due	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment 90 Days or More Past Due and Accruing Interest**
Real estate mortgage	$ 5,558	$ 5,823	$ 11,381	$ 526,473	$ 537,854	$ –
Production and intermediate-term	1,110	4,702	5,812	185,692	191,504	–
Loans to cooperatives	–	–	–	1,345	1,345	–
Processing and marketing	–	–	–	89,732	89,732	–
Farm-related business	–	–	–	13,364	13,364	–
Communication	–	–	–	16,766	16,766	–
Energy and water/waste disposal	–	–	–	1,568	1,568	–
Rural residential real estate	153	–	153	4,784	4,937	–
Total	$ 6,821	$ 10,525	$ 17,346	$ 839,724	$ 857,070	$ –

Nonperforming assets (including the recorded investment for loans) and related credit quality statistics at period end were as follows:

	March 31, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	$ 17,829	$ 21,461
Production and intermediate-term	8,787	8,072
Farm-related business	28	–
Rural residential real estate	143	153
Total	$ 26,787	$ 29,686
Accruing restructured loans:		
Real estate mortgage	$ 1,570	$ 2,072
Production and intermediate-term	413	574
Total	$ 1,983	$ 2,646
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 28,770	$ 32,332
Other property owned	3,727	3,845
Total nonperforming assets	$ 32,497	$ 36,177
Nonaccrual loans as a percentage of total loans	3.13%	3.48%
Nonperforming assets as a percentage of total loans and other property owned	3.78%	4.22%
Nonperforming assets as a percentage of capital	14.73%	16.67%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2015	December 31, 2014
Impaired nonaccrual loans:		
Current as to principal and interest	$ 16,110	$ 15,172
Past due	10,677	14,514
Total	26,787	29,686
Impaired accrual loans:		
Restructured	1,983	2,646
90 days or more past due	–	–
Total	1,983	2,646
Total impaired loans	$ 28,770	$ 32,332

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

	March 31, 2015			Quarter Ended March 31, 2015	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real estate mortgage	$ 2,859	$ 7,627	$ 759	$ 3,024	$ 25
Production and intermediate-term	1,522	5,555	229	1,610	13
Total	$ 4,381	$ 13,182	$ 988	$ 4,634	$ 38
With no related allowance for credit losses:					
Real estate mortgage	$ 16,540	$ 32,497	$ –	$ 17,498	$ 142
Production and intermediate-term	7,678	14,530	–	8,122	66
Farm-related business	28	28	–	29	–
Rural residential real estate	143	392	–	152	1
Total	$ 24,389	$ 47,447	$ –	$ 25,801	$ 209
Total:					
Real estate mortgage	$ 19,399	$ 40,124	$ 759	$ 20,522	$ 167
Production and intermediate-term	9,200	20,085	229	9,732	79
Farm-related business	28	28	–	29	–
Rural residential real estate	143	392	–	152	1
Total	$ 28,770	$ 60,629	$ 988	$ 30,435	$ 247

Impaired loans:	December 31, 2014 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2014 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 4,638	$ 9,400	$ 826	$ 7,016	$ 455
Production and intermediate-term	1,674	5,720	244	2,533	164
Rural residential real estate	–	–	–	–	–
Total	$ 6,312	$ 15,120	$ 1,070	$ 9,549	$ 619
With no related allowance for credit losses:					
Real estate mortgage	$ 18,895	$ 36,739	$ –	$ 28,585	$ 1,853
Production and intermediate-term	6,972	14,870	–	10,547	684
Rural residential real estate	153	396	–	231	15
Total	$ 26,020	$ 52,005	$ –	$ 39,363	$ 2,552
Total:					
Real estate mortgage	$ 23,533	$ 46,139	$ 826	$ 35,601	$ 2,308
Production and intermediate-term	8,646	20,590	244	13,080	848
Rural residential real estate	153	396	–	231	15
Total	$ 32,332	$ 67,125	$ 1,070	$ 48,912	$ 3,171

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Activity related to the allowance for credit losses:							
Balance at December 31, 2014	$ 4,335	$ 862	$ 851	$ 34	$ –	$ 28	$ 6,110
Charge-offs	(3)	(275)	–	–	–	–	(278)
Recoveries	254	45	–	–	–	–	299
Provision for loan losses	(519)	177	(310)	2	–	(3)	(653)
Balance at March 31, 2015	$ 4,067	$ 809	$ 541	$ 36	$ –	$ 25	$ 5,478
Balance at December 31, 2013	$ 5,545	$ 1,371	$ 439	$ 22	$ 4	$ 27	$ 7,408
Charge-offs	(122)	(38)	–	–	–	–	(160)
Recoveries	839	235	–	–	–	2	1,076
Provision for loan losses	(1,851)	(359)	(51)	(10)	(4)	(2)	(2,277)
Balance at March 31, 2014	$ 4,411	$ 1,209	$ 388	$ 12	$ –	$ 27	$ 6,047
Allowance on loans evaluated for impairment:							
Individually	$ 602	$ 229	$ –	$ –	$ –	$ –	$ 831
Collectively	3,308	580	541	36	–	25	4,490
PCI**	157	–	–	–	–	–	157
Balance at March 31, 2015	$ 4,067	$ 809	$ 541	$ 36	$ –	$ 25	$ 5,478
Individually	$ 669	$ 244	$ –	$ –	$ –	$ –	$ 913
Collectively	3,509	618	851	34	–	28	5,040
PCI**	157	–	–	–	–	–	157
Balance at December 31, 2014	$ 4,335	$ 862	$ 851	$ 34	$ –	$ 28	$ 6,110
Recorded investment in loans evaluated for impairment:							
Individually	$ 17,444	$ 8,769	$ 28	$ –	$ –	$ 63	$ 26,304
Collectively	510,790	187,055	106,864	18,345	2,517	4,704	830,275
PCI**	2,249	430	–	–	–	80	2,759
Balance at March 31, 2015	$ 530,483	$ 196,254	$ 106,892	$ 18,345	$ 2,517	$ 4,847	$ 859,338
Individually	$ 21,014	$ 8,159	$ –	$ –	$ –	$ 69	$ 29,242
Collectively	514,274	182,858	104,441	16,766	1,568	4,784	824,691
PCI**	2,566	487	–	–	–	84	3,137
Balance at December 31, 2014	$ 537,854	$ 191,504	$ 104,441	$ 16,766	$ 1,568	$ 4,937	$ 857,070

**Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*
***Purchased credit impaired loans.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. The tables do not include purchased credit impaired loans.

	Three months ended March 31, 2015				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ –	$ 1,413	$ –	$ 1,413	
Total	$ –	$ 1,413	$ –	$ 1,413	
Post-modification:					
Real estate mortgage	$ –	$ 459	$ –	$ 459	$ –
Total	$ –	$ 459	$ –	$ 459	$ –

	Three months ended March 31, 2014				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ –	$ 125	$ –	$ 125	
Total	$ –	$ 125	$ –	$ 125	
Post-modification:					
Real estate mortgage	$ –	$ 125	$ –	$ 125	$ –
Total	$ –	$ 125	$ –	$ 125	$ –

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended March 31,	
	2015	**2014**
Defaulted troubled debt restructurings:		
Real estate mortgage	$ 886	$ 130
Total	$ 886	$ 130

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

	Total TDRs		Nonaccrual TDRs	
	March 31, 2015	**December 31, 2014**	**March 31, 2015**	**December 31, 2014**
Real estate mortgage	$ 12,087	$ 14,307	$ 10,517	$ 12,235
Production and intermediate-term	3,191	3,604	2,778	3,030
Rural residential real estate	(7)	(4)	(7)	(4)
Total Loans	$ 15,271	$ 17,907	$ 13,288	$ 15,261
Additional commitments to lend	$ –	$ –		

The following table presents information as of period end:

	March 31, 2015
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	$ 392
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ 133

Purchased Credit Impaired (PCI) Loans

The Association acquires loans individually and in groups or portfolios. For certain acquired loans that experienced deterioration in credit quality between origination and acquisition, the amount paid for the loan will reflect this fact. At acquisition, each loan is reviewed to determine whether there is evidence of deterioration of credit quality since origination and if it is probable that the Association would be unable to collect all amounts due according to the loan's contractual terms. If both conditions exist, the purchaser determines whether each such loan is to be accounted for individually or whether such loans would be assembled into pools of loans based on common risk characteristics (credit score, loan type, and date of origination, for example). Considerations of value should include expected prepayments, the estimated amount and timing of undiscounted expected principal, interest, and other cash flows (expected at acquisition) for each loan and the subsequently aggregated pool of loans. Any excess of the loan's or pool's scheduled contractual principal and contractual interest payments over all of the cash flows expected at acquisition is an amount that should not be accreted to income (nonaccretable difference). The remaining amount, representing the excess of the loan's cash flows expected to be collected over the amount paid, is accreted into interest income over the remaining life of the loan or pool (accretable yield).

Accounting guidance requires that the purchaser continue to estimate cash flows expected to be collected over the life of the loan or pool. It then evaluates at the balance sheet date whether the present value of its loans, determined using the effective interest rate, has decreased and if so, recognizes a loss. For loans or pools that are not accounted for as debt securities, the present value of any subsequent increase in the loan's or pool's actual cash flows or cash flows expected to be collected is used first to reverse any existing valuation allowance for that loan or pool. For any remaining increases in cash flows expected to be collected, or for loans or pools accounted for as debt securities, a purchaser adjusts the amount of accretable yield recognized on a prospective basis over the loan's or pool's remaining life.

Valuation allowances for all PCI loans reflect only those losses incurred after acquisition, that is, the present value of cash flows expected at acquisition that are not expected to be collected. Valuation allowances are established only subsequent to acquisition of the loans.

The carrying amounts of loans acquired in a 2011 business combination included in the balance sheet amounts of loans receivable at period end were as follows:

	March 31, 2015
Real estate mortgage	$ 2,249
Production and intermediate-term	430
Rural residential real estate	80
Total Loans	$ 2,759

The allowance for loan losses related to these loans was $157 at both March 31, 2015 and December 31, 2014. During the three month period ended March 31, 2015, provision for loan losses on these loans was an expense reversal of $41 compared with an expense reversal of $164 for the three month period ended March 31, 2014. See above for a summary of changes in the total allowance for loan losses for the period ended March 31, 2015. There were no loans acquired during 2015 or 2014 for which it was probable at acquisition that all contractually required payments would not be collected.

Certain of the loans acquired by the Association in the 2011 business combination that were within the scope of PCI loan guidance are accounted for using a cash basis method of income recognition because the Association cannot reasonably estimate cash flows expected to be collected. Substantially all of the loans acquired were real estate collateral dependent loans. The real estate market in Florida was extremely unstable, making the estimation of the amount and timing of a sale of loan collateral in essentially the same condition as received upon foreclosure indeterminate. As such, the Association did not have the information necessary to reasonably estimate cash flows expected to be collected to compute a yield. Management determined a nonaccrual classification would be the most appropriate and that no income would be recognized on these loans as is allowed under accounting guidance.

Note 3 — Investments

Investment Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

The Association's investments also consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment program approved by the FCA. In its Conditions of Approval for the program, the FCA considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. At March 31, 2015, the Association held one RAB whose credit quality has deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	March 31, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 3,011	$ 576	$ (8)	$ 3,579	5.55%
ABSs	9,238	51	(66)	9,223	-0.01
Total	$ 12,249	$ 627	$ (74)	$ 12,802	1.36%

	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 3,019	$ 512	$ (16)	$ 3,515	5.55%
ABSs	10,044	71	(58)	10,057	0.14
Total	$ 13,063	$ 583	$ (74)	$ 13,572	1.39%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	March 31, 2015		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ 11	$ 13	-9.80%
After one year through five years	6,547	6,499	0.02
After five years through ten years	1,311	1,310	1.19
After ten years	4,380	4,980	3.44
Total	$ 12,249	$ 12,802	1.36%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	March 31, 2015			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ –	$ –	$ 920	$ (8)
ABSs	2,150	(23)	3,057	(43)
Total	$ 2,150	$ (23)	$ 3,977	$ (51)

	December 31, 2014			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ –	$ –	$ 917	$ (16)
ABSs	2,297	(17)	3,481	(41)
Total	$ 2,297	$ (17)	$ 4,398	$ (57)

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

A substantial portion of these investments were in U. S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

Investments in other Farm Credit Institutions

The Association is required to maintain ownership in AgFirst Farm Credit Bank (AgFirst or the Bank) of Class B and Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owns 3.84 percent of the issued stock of the Bank as of March 31, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.9 billion and shareholders' equity totaled $2.3 billion. The Bank's earnings were $83 million for the first three months of 2015. In addition, the Association has an investment of $3,175 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive income by Component *(a)*	
	For the Three Months Ended March 31,	
	2015	2014
Employee Benefit Plans:		
Balance at beginning of period	$ (242)	$ (157)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	2	1
Net current period other comprehensive income	2	1
Balance at end of period	$ (240)	$ (156)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	For the Three Months Ended March 31,		
	2015	2014	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	$ (2)	$ (1)	See Note 7.
Net amounts reclassified	$ (2)	$ (1)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

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

The classifications within the fair value hierarchy are as follows:

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

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

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

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

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

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

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

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

Investment Securities
The fair values of predominantly all Level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

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

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 31,992	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
Other investments – RBIC	$ 80	Third party evaluation	Income, expense, capital	Not applicable

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
RABs	Discounted cash flow	Prepayment rates Risk adjusted discount rate
ABSs	Vendor priced	**
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

*** The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

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

	At or for the Three Months Ended March 31, 2015					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 807	$ 807	$ –	$ –	$ 807	
Recurring Assets	$ 807	$ 807	$ –	$ –	$ 807	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 27,782	$ –	$ –	$ 27,782	$ 27,782	$ 103
Other property owned	3,727	–	–	4,210	4,210	65
Other investments	80	–	–	80	80	–
Nonrecurring Assets	$ 31,589	$ –	$ –	$ 32,072	$ 32,072	$ 168
Other Financial Instruments						
Assets:						
Cash	$ 613	$ 613	$ –	$ –	$ 613	
RABs	3,011	–	–	3,579	3,579	
ABSs	9,238	–	9,223	–	9,223	
Loans	822,278	–	–	830,227	830,227	
Other Financial Assets	$ 835,140	$ 613	$ 9,223	$ 833,806	$ 843,642	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 656,974	$ –	$ –	$ 655,773	$ 655,773	
Other Financial Liabilities	$ 656,974	$ –	$ –	$ 655,773	$ 655,773	

	At or for the Year ended December 31, 2014					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 843	$ 843	$ –	$ –	$ 843	
Recurring Assets	$ 843	$ 843	$ –	$ –	$ 843	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 31,262	$ –	$ –	$ 31,262	$ 31,262	$ 6,766
Other property owned	3,845	–	–	4,294	4,294	1,645
Other investments	80	–	–	80	80	(60)
Nonrecurring Assets	$ 35,187	$ –	$ –	$ 35,636	$ 35,636	$ 8,351
Other Financial Instruments						
Assets:						
Cash	$ 36	$ 36	$ –	$ –	$ 36	
RABs	3,019	–	–	3,515	3,515	
ABSs	10,044	–	10,057	–	10,057	
Loans	817,003	–	–	822,508	822,508	
Other Financial Assets	$ 830,102	$ 36	$ 10,057	$ 826,023	$ 836,116	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 662,690	$ –	$ –	$ 658,746	$ 658,746	
Other Financial Liabilities	$ 662,690	$ –	$ –	$ 658,746	$ 658,746	

Note 7 — Employee Benefit Plans

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

	For the three months ended March 31,	
	2015	2014
Pension	$ 883	$ 905
401(k)	145	143
Other postretirement benefits	198	119
Total	$ 1,226	$ 1,167

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

	Actual YTD Through 3/31/15	Projected Contributions For Remainder of 2015	Projected Total Contributions 2015
Pension	$ 11	$ 3,611	$ 3,622
Other postretirement benefits	85	256	341
Total	$ 96	$ 3,867	$ 3,963

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2015.

Further details regarding employee benefit plans are contained in the 2014 Annual Report to Shareholders, including a discussion of benefit plan changes related to the termination of the AgFirst Farm Credit Cash Balance Retirement Plan.

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Business Combination

Effective January 1, 2011, Farm Credit of North Florida, ACA, and Farm Credit of Southwest Florida, ACA, merged with and into Farm Credit of South Florida, ACA. Farm Credit of South Florida then changed its name to Farm Credit of Florida, ACA. As part of the merger, those Associations entered into an agreement with the Bank under which the Bank would provide limited financial assistance to the merged Association in the event of substantial further deterioration in the combined high risk asset portfolio of the merged Association. This agreement related only to a finite pool of high risk assets of the merged Association existing at the merger date. This agreement with the Bank does not include losses that are sustained outside of the high risk asset pool. The agreement provided for limits on the merged Association's ability to make patronage distributions and certain other restrictions which are imposed if certain merged Association capital ratios fail to meet minimum established levels.

Under the financial assistance agreement, as amended, if specified minimum levels of capital allocated to the high risk asset pool were not maintained by the merged Association, the Bank would provide financial assistance as stipulated in the agreement. This agreement was terminated effective October 15, 2014.

Note 10 — Regulatory Enforcement Matters

As previously disclosed, on June 15, 2012 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The written supervisory agreement required the Association to take corrective actions and other actions with respect to certain areas of its operations, including board governance, director fiduciary duties and standards of conduct, board consultant functions, staffing and succession planning, asset quality, collateral risk, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, and business planning and reporting. In addition, the Association operated under Supervisory Conditions of Merger and maintained compliance with all requirements and conditions.

On September 25, 2014, the Association was notified that the written supervisory agreement and the Supervisory Conditions of Merger were terminated by the FCA board on September 16, 2014. The termination was recognition by the FCA that the conditions that prompted the need for the agreement and the Conditions of Merger have been effectively addressed by the Association.

Note 11 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through May 8, 2015, which was the date the financial statements were issued.