AgStar Financial Services, ACA

Quarterly Report
March 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgStar Financial Services, ACA (the parent) and AgStar Financial Services, FLCA and AgStar Financial Services, PCA (the subsidiaries). This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2014 (2014 Annual Report).

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in AgStar Financial Services, ACA. To request free copies of the AgriBank and combined AgriBank and Affiliated Associations' financial reports or additional copies of our report, contact us at P.O. Box 4249, Mankato, MN 56002-4249, by phone (866) 577-1831, by e-mail to AgStarEteam@agstar.com, or at our website, www.agstar.com. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at financialreporting@agribank.com. The AgriBank and combined AgriBank and Affiliated Associations' financial reports are also available through AgriBank's website at www.agribank.com.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2014 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

We serve many sectors in agriculture including our primary industries of grain, swine, and dairy. Credit quality, delinquencies, and nonaccrual measures showed continued improvement during 2014. We expect some deterioration in overall portfolio quality during 2015. In particular, we expect that 2015 will be a more challenging year for grain producers in our territory as they attempt to maintain profitability in light of lower commodity prices. The quality of our crop portfolio is strong at 98.8% non-adverse. Some additional volume may migrate to adverse in 2016 if lower prices continue into 2016 and beyond.

As of March 31, 2015, the United States Department of Agriculture's (USDA) corn production is forecast at 14.2 billion bushels. That is up 2.8% from 2014/2015 estimate. Estimated average yields in 2014 were 171 bushels per acre, up from 158 bushels per acre in 2013. As of March 1, 2015, ending on-farm corn stocks totaled 4.38 billion bushels, up 13% from March 1, 2014. The April projected 2015/2016 season-average farm price for corn is at $3.50 to $3.90 per bushel. Corn exports are anticipated to remain strong and are projected to be 50 million bushels higher based on commitments to date and higher projected global demand.

The USDA is currently forecasting soybean production at 3.97 billion bushels, up 18% from 2014/2015. Estimated average yields in 2014 were 47.8 bushels per acre, up from 43.3 bushels per acre in 2013. Acreage for harvest is expected to be at 83.1 million acres for 2014. With soybean crush and exports projected at 1,795 million bushels and 1,790 million bushels, respectively, ending stocks are projected to remain at an 8-year high of 385 million bushels. The U.S. season-average soybean price range for 2014/2015 is projected at $9.45 to $10.95 per bushel.

The year 2014 was a strong time for most hog producers. Prices and margins look significantly less favorable for 2015, particularly in the latter half of the year. The quality of the swine portfolio remains very strong at 100% non-adverse. Porcine Epidemic Diarrhea Virus (PEDv) has had less of an impact this winter/spring than in 2014, leading to less volatility in the marketplace. The market spot price of Lean Hogs, which peaked during the 2014 PEDv epidemic at over $130 per hundredweight, has declined to less than $60 per hundredweight as of March 31, 2015, a five-year low. Compounding the issue, USDA pork import expectations have risen as the recent strength of the dollar makes the U.S. an attractive market despite large supplies of domestic pork.

Milk price outlook is less favorable than it has been in 2014 and 2013, but producers still have the ability to lock in break-even or better margins for all of 2015. The milk production forecast for 2015 is 211 billion pounds, a 2.5% increase over 2014. The USDA projects an average price received by farmers for all milk of $17.05 to $17.65 per hundredweight. We expect 2015 will be a solid year for most dairy producers and expectations are that most will again show profitability. The quality of the dairy portfolio improved significantly to 96.6% non-adverse currently. Lower feed costs and strong margins should lead to additional improvement throughout 2015.

Over the last few years, overall conditions have been favorable for agricultural producers resulting in positive performance generally for agribusinesses. However, the combination of lower commodity prices, lower crop and livestock receipts, a strengthening U.S. dollar, and weaker global economic picture should drive farm income nearer historical levels. According to USDA's Economic Research Service, national net farm income—a key indicator of U.S. farm well-being—is forecast at $73.6 billion in 2015, down 32% from last year's level of $108.0 billion. The 2015 forecast would be the lowest since 2009. Despite the outlook for lower farm income in 2015, farm wealth is projected to remain at record levels. The outlook for lower net farm income, coupled with record farm wealth, suggests a mixed financial picture heading into 2015 for the agricultural sector as a whole, with substantial regional variation.

Land values in our area have flattened and are expected to decline as we head into 2015 in response to lower commodity prices and potential changes in interest rates. Despite the expectation of land value declines, the U.S. farm sector is in the best financial shape in over a generation. Given solid net worth positions and conservative borrowing characteristics, U.S. agriculture is well-positioned to handle a decline in land values without enduring significant financial stress and hardship.

Our home mortgage portfolio credit quality remains strong. Now five years beyond the peak of the housing crisis, our delinquency levels are the best we've seen in the past 12 years and better than the overall housing industry. The economy continues to generate a number of positive economic signals for the housing market. According to the U.S. Bureau of Labor Statistics, the national unemployment rate remains at 5.5% as of March 31, 2015, a steady decline from over 10% in 2009. Federal National Mortgage Company ("Fannie Mae") recently reported that the Single-Family Serious Delinquency rate has declined in February to 1.83%. The serious delinquency rate is down from 2.27% in February 2014, and this is the lowest level since September 2008.

Some of our core credit objectives include working with clients to promote risk management, ensure high quality financial statements and production reports, encourage disciplined marketing plans, and provide individualized servicing plans and strategies. We continue to be involved and support positive legislative changes for agriculture and rural America.

LOANS HELD TO MATURITY

Loan Portfolio

Loans held to maturity were $6.7 billion at March 31, 2015, a decrease of $211.6 million from December 31, 2014. The decrease was primarily due to repayments made by clients in our production agriculture sectors, partially offset by an increase in our net participations purchased.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2014. Adversely classified loans were 1.8% of the portfolio at March 31, 2015 and December 31, 2014. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan/lease losses.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At March 31, 2015, $628.2 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

The following table summarizes risk information (accruing loans include accrued interest receivable) (dollars in thousands):

As of:	**March 31 2015**	December 31 2014
Loans:		
Nonaccrual	**$ 52,463**	$ 51,339
Accruing restructured	**23,040**	22,892
Accruing loans 90 days or more past due	**4,648**	304
Total risk loans	**80,151**	74,535
Other property owned	**1,786**	3,140
Total risk assets	**$ 81,937**	$ 77,675
Risk loans as a percentage of total loans	**1.2%**	1.1%
Nonaccrual loans as a percentage of total loans	**0.8%**	0.7%
Total delinquencies as a percentage of total loans	**0.7%**	0.5%

Our risk assets have increased from December 31, 2014, but remain at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans remains well within our established risk management guidelines.

The increase in nonaccrual loans was due to the downgrading of an agribusiness loan. Nonaccrual loans remained at an acceptable level at March 31, 2015 and 69.4% of our nonaccrual loans were current.

The increase in accruing loans 90 days or more past due was primarily due to certain real estate loans in our grain industry portfolio. Based on our analysis, all loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

The increase in total delinquencies as a percentage of total loans was primarily due to stress in the grain industry.

Allowance for Loan/Lease Losses

The allowance for loan/lease losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan/lease losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

The following table presents comparative allowance coverage of various loan categories:

As of:	March 31 2015	December 31 2014
Allowance as a percentage of:		
Loans	**0.4%**	0.3%
Nonaccrual loans	**45.3%**	46.1%
Total risk loans	**29.7%**	31.7%

In our opinion, the allowance for loan/lease losses was reasonable in relation to the risk in our loan portfolio at March 31, 2015.

LOANS HELD FOR SALE

We have loans held for sale under a rural residential mortgage program, which is designed to provide qualified borrowers with additional options for competitive rate financing of rural homes in small towns or homes that are part of a hobby farm, pastureland, or tillable acreage. Loans closed under this program will be sold to and securitized by a third party investor. At March 31, 2015, the volume in this program was $16.1 million, an $8.2 million increase from December 31, 2014. The increase was the result of our originations of new loans held for sale.

RESULTS OF OPERATIONS

The following table presents profitability information (dollars in thousands):

For the three months ended March 31	2015	2014
Net income	**$ 27,209**	$ 26,355
Return on average assets	**1.5%**	1.5%
Return on average equity	**9.4%**	9.9%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section, and changes in capital discussed in the Funding, Liquidity, and Capital section.

The following table summarizes the changes in components of net income (in thousands):

For the three months ended March 31	2015	2014	Increase (decrease) in net income
Net interest income	**$ 48,126**	$ 45,495	**$ 2,631**
Patronage income	**4,312**	4,827	**(515)**
Other income, net	**9,007**	9,456	**(449)**
Operating expenses	**31,220**	30,528	**(692)**
Provision for income taxes	**3,016**	2,895	**(121)**
Net income	**$ 27,209**	$ 26,355	**$ 854**

The following table quantifies changes in net interest income for the three months ended March 31, 2015 compared to the same period in 2014 (in thousands):

	2015 vs 2014
Changes in volume	**$ 3,658**
Changes in interest rates	**(1,728)**
Changes in asset securitization	**67**
Changes in nonaccrual income and other	**634**
Net change	**$ 2,631**

The change in patronage income was primarily due to a lower patronage rate compared to the prior year. The effect of this decrease in rate was partially offset due to a higher average balance on our note payable.

The change in other income was primarily related to a decrease in crop insurance income, partially offset by an increase in net fee income. We originated rural home loans for resale into the secondary market. We sold loans in the secondary market totaling $15.2 million through March 31, 2015 compared to $6.6 million for the same period in 2014. The fee income from this activity totaled $301 thousand for the three months ended March 31, 2015 compared to $122 thousand for the same period of 2014.

The change in operating expenses was primarily related to salaries and benefits expense and Farm Credit System insurance expense**.** Farm Credit System Insurance Corporation (FCSIC) expense increased in 2015 primarily due to an increase in the premium rate charged on accrual loans by FCSIC from 12 basis points in 2014 to 13 basis points in 2015.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matured on March 31, 2015 and was renewed for $7.4 billion with a maturity date of March 31, 2016. The note payable will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as the Association is a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at March 31, 2015 or December 31, 2014.

Total equity increased $25.4 million from December 31, 2014 primarily due to net income for the period, partially offset by accrued redemptions of nonqualified patronage allocations, preferred stock dividend accruals, and a decrease in capital stock and participation certificates.

Farm Credit Administration regulations require us to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. Refer to Note 10 in our 2014 Annual Report for a more complete description of these ratios. As of March 31, 2015, the ratios were as follows:

- The permanent capital ratio was 15.8%.
- The total surplus ratio was 15.6%.
- The core surplus ratio was 12.9%.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

REGULATORY MATTERS

On May 8, 2014, the FCA Board approved 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 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 Wall Street Reform and Consumer Protection Act.

The public comment period ended on February 16, 2015.

On June 12, 2014, the FCA Board approved a proposed rule to revise the requirements governing the eligibility of investments for System Banks and Associations. 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, and
- To revise the investment regulation for System Associations to improve their investment management practices so they are more resilient to risk.

The public comment period ended on October 23, 2014.

As of the date of this report, the FCA Board has not approved a final rule related to either of these proposals.

CERTIFICATION

The undersigned certify they have reviewed AgStar Financial Services, ACA's March 31, 2015 Quarterly Report. It has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Kaye Compart
Chairperson of the Board
AgStar Financial Services, ACA

Rodney W. Hebrink
President and Chief Executive Officer
AgStar Financial Services, ACA

Jase L. Wagner
Senior Vice President and Chief Financial Officer
AgStar Financial Services, ACA

May 8, 2015

CONSOLIDATED STATEMENTS OF CONDITION

AgStar Financial Services, ACA
(in thousands)
(Unaudited)

As of:		March 31 2015		December 31 2014
ASSETS				
Loans held to maturity	**$**	**6,688,068**	$	6,899,646
Allowance for loan/lease losses		**23,773**		23,655
Net loans held to maturity		**6,664,295**		6,875,991
Loans held for sale		**16,105**		7,899
Net loans		**6,680,400**		6,883,890
Investment securities		**465,091**		481,936
Assets held for lease, net		**40,065**		41,566
Accrued interest receivable		**53,906**		54,899
Investment in AgriBank, FCB		**142,961**		142,098
Premises and equipment, net		**16,750**		17,388
Other property owned		**1,786**		3,140
Other assets		**36,607**		47,954
Total assets	**$**	**7,437,566**	$	7,672,871
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**6,088,160**	$	6,340,682
Subordinated debt		**100,000**		100,000
Accrued interest payable		**26,339**		24,367
Deferred tax liabilities, net		**5,164**		6,730
Other liabilities		**54,331**		62,914
Total liabilities		**6,273,994**		6,534,693
Contingencies and commitments		**--**		--
EQUITY				
Capital stock and participation certificates		**16,077**		16,177
Preferred stock		**100,000**		100,000
Allocated surplus		**384,770**		371,004
Unallocated surplus		**662,524**		650,915
Accumulated other comprehensive income		**201**		82
Total equity		**1,163,572**		1,138,178
Total liabilities and equity	**$**	**7,437,566**	$	7,672,871

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AgStar Financial Services, ACA
(in thousands)
(Unaudited)

For the three months ended March 31		**2015**		2014
Interest income	**$**	**74,081**	$	69,961
Interest expense		**25,955**		24,466
Net interest income		**48,126**		45,495
Provision for loan/lease losses		**--**		--
Net interest income after provision for loan/lease losses		**48,126**		45,495
Other income				
Patronage income		**4,312**		4,827
Net operating lease income		**480**		381
Financially related services income		**4,511**		5,106
Fee and miscellaneous income, net		**4,016**		3,969
Total other income		**13,319**		14,283
Operating expenses				
Salaries and employee benefits		**21,504**		21,009
Farm Credit System insurance		**2,059**		1,750
Other operating expenses		**7,657**		7,769
Total operating expenses		**31,220**		30,528
Income before income taxes		**30,225**		29,250
Provision for income taxes		**3,016**		2,895
Net income	**$**	**27,209**	$	26,355
Other comprehensive income				
Investment securities available-for-sale:				
Not-other-than-temporarily-impaired investments	**$**	**119**	$	--
Total other comprehensive income		**119**		--
Comprehensive income	**$**	**27,328**	$	26,355

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AgStar Financial Services, ACA
(in thousands)
(Unaudited)

	Preferred Stock	Capital Stock and Participation Certificates	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive Income	Total Equity
Balance at December 31, 2013	$ 100,000	$ 15,912	$ 339,360	$ 600,888	$ --	$ 1,056,160
Net income	--	--	--	26,355	--	26,355
Net surplus allocated under nonqualified patronage program	--	--	13,462	(13,462)	--	--
Redemption of prior year allocated patronage	--	--	(78)	--	--	(78)
Preferred stock dividend	--	--	--	(1,687)	--	(1,687)
Capital stock and participation certificates issued	--	319	--	--	--	319
Capital stock and participation certificates retired	--	(326)	--	--	--	(326)
Balance at March 31, 2014	$ 100,000	$ 15,905	$ 352,744	$ 612,094	$ --	$ 1,080,743
Balance at December 31, 2014	$ 100,000	$ 16,177	$ 371,004	$ 650,915	$ 82	$ 1,138,178
Net income	**--**	**--**	**--**	**27,209**	**--**	**27,209**
Other comprehensive income	**--**	**--**	**--**	**--**	**119**	**119**
Net surplus allocated under nonqualified patronage program	**--**	**--**	**13,913**	**(13,913)**	**--**	**--**
Redemption of prior year allocated patronage	**--**	**--**	**(147)**	**--**	**--**	**(147)**
Preferred stock dividend	**--**	**--**	**--**	**(1,687)**	**--**	**(1,687)**
Capital stock and participation certificates issued	**--**	**268**	**--**	**--**	**--**	**268**
Capital stock and participation certificates retired	**--**	**(368)**	**--**	**--**	**--**	**(368)**
Balance at March 31, 2015	**$ 100,000**	**$ 16,077**	**$ 384,770**	**$ 662,524**	**$ 201**	**$ 1,163,572**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2014 (2014 Annual Report).

The consolidated financial statements present the consolidated financial results of AgStar Financial Services, ACA (the parent) and AgStar Financial Services, FLCA and AgStar Financial Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

In April 2015, the FASB issued, "Interest –Imputation of Interest." The guidance requires debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the debt liability. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as a deferred charge (asset). The guidance is effective for nonpublic entities for fiscal years beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016. Early adoption is allowed, including in any interim period. We have evaluated the impact of this standard and have determined that it will not have a material impact to our consolidated financial statements.

We have assessed the potential impact of other accounting standards that have been issued, but are not yet effective, and have determined that no such standards are expected to have a material impact to our consolidated financial statements.

NOTE 2: LOANS HELD TO MATURITY AND ALLOWANCE FOR LOAN/LEASE LOSSES

Loans held to maturity consisted of the following (dollars in thousands):

As of:	**March 31, 2015**		December 31, 2014	
	Amount	%	Amount	%
Real estate mortgage	**$ 3,436,080**	**51.4%**	$ 3,473,882	50.4%
Production and intermediate term	**1,645,231**	**24.6%**	1,927,376	27.9%
Agribusiness	**785,012**	**11.7%**	718,870	10.4%
Other	**821,745**	**12.3%**	779,518	11.3%
Total	**$ 6,688,068**	**100.0%**	$ 6,899,646	100.0%

The other category is comprised of communication, energy, water and waste water, international, and rural residential real estate related loans as well as finance and conditional sales leases and bonds originated under our mission related investment authority.

Credit Quality and Delinquency

One credit quality indicator we utilize is the Farm Credit Administration (FCA) Uniform Classification System that categorizes loans into five categories. The categories are defined as follows:

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

We had no loans categorized as loss at March 31, 2015 or December 31, 2014.

The following table summarizes loans and related accrued interest receivable classified under the FCA Uniform Classification System by loan type (dollars in thousands):

	Acceptable		OAEM		Substandard/ Doubtful		Total	
As of March 31, 2015	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$3,327,998**	**96.0%**	**$ 77,901**	**2.2%**	**$ 61,614**	**1.8%**	**$3,467,513**	**100.0%**
Production and intermediate term	**1,599,295**	**96.3%**	**31,105**	**1.9%**	**29,723**	**1.8%**	**1,660,123**	**100.0%**
Agribusiness	**774,826**	**98.4%**	**1,979**	**0.3%**	**10,364**	**1.3%**	**787,169**	**100.0%**
Other	**790,694**	**96.0%**	**14,182**	**1.7%**	**18,508**	**2.3%**	**823,384**	**100.0%**
Total	**$6,492,813**	**96.4%**	**$ 125,167**	**1.8%**	**$ 120,209**	**1.8%**	**$6,738,189**	**100.0%**

	Acceptable		OAEM		Substandard/ Doubtful		Total	
As of December 31, 2014	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$3,358,426	95.8%	$ 72,739	2.1%	$ 72,440	2.1%	$3,503,605	100.0%
Production and intermediate term	1,885,550	97.0%	30,923	1.6%	27,287	1.4%	1,943,760	100.0%
Agribusiness	709,852	98.4%	1,608	0.2%	9,849	1.4%	721,309	100.0%
Other	748,963	95.9%	18,930	2.4%	12,998	1.7%	780,891	100.0%
Total	$6,702,791	96.4%	$ 124,200	1.8%	$ 122,574	1.8%	$6,949,565	100.0%

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (in thousands):

As of March 31, 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	90 Days or More Past Due and Accruing
Real estate mortgage	**$ 12,362**	**$ 10,714**	**$ 23,076**	**$3,444,437**	**$3,467,513**	**$ 3,864**
Production and intermediate term	**18,405**	**3,055**	**21,460**	**1,638,663**	**1,660,123**	**784**
Agribusiness	**67**	**57**	**124**	**787,045**	**787,169**	**--**
Other	**3,115**	**988**	**4,103**	**819,281**	**823,384**	**--**
Total	**$ 33,949**	**$ 14,814**	**$ 48,763**	**$6,689,426**	**$6,738,189**	**$ 4,648**

As of 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	90 Days or More Past Due and Accruing
Real estate mortgage	$ 14,723	$ 7,035	$ 21,758	$3,481,847	$3,503,605	$ 282
Production and intermediate term	3,182	2,597	5,779	1,937,981	1,943,760	7
Agribusiness	1,984	--	1,984	719,325	721,309	--
Other	2,788	1,104	3,892	776,999	780,891	15
Total	$ 22,677	$ 10,736	$ 33,413	$6,916,152	$6,949,565	$ 304

Risk Loans

The following table presents risk loan information (accruing loans include accrued interest receivable) (in thousands):

As of:		March 31 2015		December 31 2014
Volume with specific reserves	**$**	**8,014**	$	8,779
Volume without specific reserves		**72,137**		65,756
Total risk loans	**$**	**80,151**	$	74,535
Total specific reserves	**$**	**3,573**	$	3,098
For the three months ended March 31		**2015**		2014
Income on accrual risk loans	**$**	**362**	$	8
Income on nonaccrual loans		**1,961**		1,210
Total income on risk loans	**$**	**2,323**	$	1,218
Average risk loans	**$**	**77,349**	$	134,211

The increase in risk loans was primarily due to certain loans in our real estate mortgage and agribusiness portfolios.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at March 31, 2015.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan/lease losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

The following table presents information regarding TDRs that occurred during the three months ended March 31 (in thousands):

	2015				2014			
		Pre-modification		Post-modification		Pre-modification		Post-modification
Real estate mortgage	**$**	**--**	**$**	**--**	$	147	$	147
Production and intermediate term		**189**		**188**		64		64
Total	**$**	**189**	**$**	**188**	$	211	$	211

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

The primary types of modification typically include deferral of payments or forgiveness of principal.

We had TDRs of $49 thousand that defaulted during the three months ended March 31, 2015 in which the modifications were within twelve months of the respective reporting period. These TDRs with a payment default occurred in the production and intermediate term loan category. We had no troubled debt restructurings that defaulted during the three months ended March 31, 2014 in which the modifications were within twelve months of the respective reporting period.

The following table presents information regarding TDRs outstanding (in thousands):

As of:	March 31 2015	December 31 2014
Accrual status:		
Real estate mortgage	**$ 18,667**	$ 18,494
Production and intermediate term	**4,373**	4,398
Total TDRs in accrual status	**$ 23,040**	$ 22,892
Nonaccrual status:		
Real estate mortgage	**$ 6,396**	$ 6,835
Production and intermediate term	**5,748**	5,709
Communication	**8,387**	8,512
Rural residential real estate	**268**	276
Total TDRs in nonaccrual status	**$ 20,799**	$ 21,332
Total TDRs	**$ 43,839**	$ 44,224

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $715 thousand at March 31, 2015.

Allowance for Loan/Lease Losses

A summary of changes in the allowance for loan/lease losses follows (in thousands):

Three months ended March 31	2015	2014
Balance at beginning of year	**$ 23,655**	$ 24,725
Provision for loan/lease losses	**--**	--
Loan recoveries	**256**	571
Loan charge-offs	**(138)**	(497)
Balance at end of period	**$ 23,773**	$ 24,799

The decrease in allowance for loan/lease losses from March 31, 2014 was related to decreases in our adverse assets in 2014. Allowances have come down slightly as overall credit quality has continued to improve and requirements for our general allowance have come down. The overall portfolio is being monitored for signs of deterioration which may require additional allowance as the year progresses.

NOTE 3: INVESTMENT SECURITIES

We have held-to-maturity investment securities of $444.1 million at March 31, 2015, compared to $460.9 million at December 31, 2014. These investment securities consisted of:

- Mortgage-backed securities (MBS) issued by Farmer Mac or guaranteed by the Small Business Administration (SBA) or by the United States Department of Agriculture (USDA), and
- Asset-backed securities (ABS) guaranteed by SBA or USDA.

These investment securities have been classified as held-to-maturity. MBS are generally longer-term investments and ABS are generally shorter-term investments. Farmer Mac guaranteed investments are typically MBS while SBA, Agricultural and Rural Community bonds, and USDA guaranteed investments may be comprised of either MBS or ABS.

At March 31, 2015 and December 31, 2014, all of our held-to-maturity investment securities were fully guaranteed by Farmer Mac, SBA, or USDA.

The following table presents further information on held-to-maturity investment securities (dollars in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
As of March 31, 2015					
MBS	**$ 399,998**	**$ 3,031**	**$ (8,332)**	**$ 394,697**	**4.0%**
ABS	**44,088**	**16**	**(2,169)**	**41,935**	**2.2%**
Total	**$ 444,086**	**$ 3,047**	**$ (10,501)**	**$ 436,632**	**3.8%**
As of December 31, 2014					
MBS	$ 414,902	$ 2,704	$ (9,435)	$ 408,171	3.8%
ABS	46,037	17	(2,299)	43,755	2.2%
Total	$ 460,939	$ 2,721	$ (11,734)	$ 451,926	3.7%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $3.8 million for each of the three months ended March 31, 2015 and 2014.

The following table presents contractual maturities of our held-to-maturity investment securities (in thousands):

As of March 31, 2015	Amortized Cost
Less than one year	**$ 935**
One to five years	**33,239**
Five to ten years	**73,456**
More than ten years	**336,456**
Total	**$ 444,086**

A summary of investments in an unrealized loss position presented by the length of time the investments have been in continuous unrealized loss position follows (in thousands):

	Less than 12 months		Greater than 12 months	
As of March 31, 2015	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$ 23,911**	**$ 1,356**	**$ 150,879**	**$ 6,976**
ABS	**14,072**	**857**	**23,656**	**1,312**
Total	**$ 37,983**	**$ 2,213**	**$ 174,535**	**$ 8,288**

	Less than 12 months		Greater than 12 months	
As of December 31, 2014	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	$ 54,047	$ 3,257	$ 157,552	$ 6,178
ABS	19,232	1,196	19,444	1,103
Total	$ 73,279	$ 4,453	$ 176,996	$ 7,281

Investment securities available-for-sale, consisting of mortgage backed securities, totaled $21.0 million at March 31, 2015 and at December 31, 2014. At March 31, 2015, for these investments, the amortized cost was $20.8 million, the unrealized gain was $201 thousand, and the contractual maturities were all more than ten years.

The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

We, together with certain other Farm Credit institutions, are among the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC will facilitate private equity investments in agriculture-related businesses that will create growth and job opportunities in rural America. Our total commitment is $20 million through October 2019. As of March 31, 2015 and December 31, 2014, our investment was $757 thousand.

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments, primarily commitments to extend credit, which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We are among the forming limited partners in a RBIC. Refer to Note 3 for additional discussion regarding this commitment.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2014 Annual Report for a more complete description of the three input levels.

Recurring Basis

The following represents a summary of the assets, valuation techniques, and inputs used to measure fair value on a recurring basis:

Loans held for sale: The loans held for sale portfolio is held at fair value. Fair value is based on quoted market prices, where available, or the prices for other similar mortgage loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. We had loans held for sale of $16.1 million and $7.9 million as of March 31, 2015 and December 31, 2014, respectively, which were valued using Level 3 unobservable inputs. Total fair value gains related to these loans of $192 thousand for the three months ended March 31, 2015, compared to $115 thousand for the same period of 2014, were recognized in "Fee and miscellaneous income, net" in the Consolidated Statements of Comprehensive Income.

Investment securities available-for-sale: Investment securities available-for-sale are held at fair value. Fair value is based on quoted market prices, where available, or the prices for other similar mortgage loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. Investment securities available-for-sale totaled $21.0 million at March 31, 2015 and at December 31, 2014, valued using Level 3 unobservable inputs. Gains related to these investments totaling $119 thousand for the three months ended March 31, 2015 were recognized in "Other comprehensive income" in the Consolidated Statements of Comprehensive Income. We had no investment securities available-for-sale during the same period of 2014.

Derivatives: If an active market exists, the fair value of our derivative financial instruments called "to be announced" securities (TBAs) is based on currently quoted market prices. We had TBAs with a notional value of $22.0 million and $8.9 million as of March 31, 2015 and December 31, 2014, respectively, which were used to manage exposure to interest rate risk and changes in the fair value of loans held for sale and the interest rate lock commitments that are determined prior to funding. These derivatives were recorded on a net basis using Level 1 fair value inputs. Net losses related to TBAs sold, combined with fair value gains on the TBAs, resulted in a net loss of $125 thousand for the three months ended March 31, 2015, compared to a net loss of $57 thousand for the same period of 2014. These were included in "Fee and miscellaneous income, net" in the Consolidated Statements of Comprehensive Income.

Non-Recurring Basis

We may also be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

The following represents a summary of the assets, valuation techniques, and inputs used to measure fair value on a non-recurring basis:

Impaired Loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they fall under Level 2. If the process required significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they fall under Level 3.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Information on assets measured at fair value on a non-recurring basis follows (in thousands):

	As of March 31, 2015				**Three months ended March 31, 2015**
	Fair Value Measurement Using			Total Fair Value	Total Losses
	Level 1	Level 2	Level 3		
Impaired loans	**$ --**	**$ 1,264**	**$ 3,399**	**$ 4,663**	**$ (553)**
Other property owned	**--**	**--**	**2,204**	**2,204**	**(568)**

	As of December 31, 2014				Three months ended March 31, 2014
	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
Impaired loans	$ --	$ 1,174	$ 4,792	$ 5,966	$ (239)
Other property owned	--	--	4,322	4,322	6

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 8, 2015, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.