GreenStone Farm Credit Services, ACA

Quarterly Report
June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the parent) and GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit 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 GreenStone Farm Credit 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 3515 West Road, East Lansing, MI 48823, (800) 968-0061, or by e-mail to *Travis.Jones@greenstonefcs.com*, or through our website at *www.greenstonefcs.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

Global growth is projected to strengthen over the course of 2015 and 2016 but remain modest relative to the pre-crisis period. Global distribution will change from the pattern that has emerged in recent years. The acceleration is underpinned by very supportive monetary conditions, financial de-leveraging, and lower oil prices. The real dollar appreciation of recent months reflects the relatively strong and stable U.S. economy. Political instability, along with economic weakness and uncertainty due to geopolitical events in Europe, Japan, China, and Latin America make the U.S. a relatively attractive destination for investors around the world. Recent interest rate cuts in many countries also add to the attractiveness of the U.S. as a destination for financial and business investment. These trends are expected to continue and support the forecast of continued dollar strength through 2015 along with increases in U.S. interest rates, which are expected to start increasing in late 2015.

U.S. Gross Domestic Product (GDP) decreased 0.2% in the first quarter of 2015 compared to an increase of 2.2% in the fourth quarter of 2014 according to the Bureau of Economic Analysis. The first quarter decline in real GDP reflected declines in exports of goods, notably capital goods as well as autos and parts; in business investment, notably in mining exploration, shafts, and wells; and in state and local government spending. Partly offsetting the contributions to the decline in GDP, consumer spending on services rose, notably on health care and on housing and utilities. Also, inventory investment and housing investment rose. Although the negative reading in the first quarter appears ominous, real Gross Domestic Income (GDI), which measures income versus spending, is a more instructive measure to gauge first quarter growth. Real GDI increased 1.9% in the first quarter of 2015.

Employers added 223,000 new jobs in June, while the unemployment rate fell to 5.3%. Although nearly within striking distance of the Federal Reserve's range for full employment, June's decline was largely driven by another drop in the participation rate. The economies of both Michigan and Wisconsin reported year over year job growth in April 2015 as Michigan added 101,500 jobs and Wisconsin added 63,100 jobs compared to May 2014. Profitability in the automotive industry continues to benefit the local economy. After a slow start to the year due to the harsh winter climate, year to date domestic light vehicle sales have posted growth of 3.6% through June 2015. Also, sales improved 4.4% year over year to 8.52 million units in the first half of 2015. This is the highest level of first-half sales for the auto industry since 2005.

New and existing home sales came in better than expected in May 2015. New home sales reached the highest level in seven years and existing activity showed an increase in the long stagnant first-time home buyer component. It appears that the recent pickup in household formation and gradual easing credit conditions, especially for first-time home buyers, is boosting sales activity. In addition to those factors, some buyers are rushing into the market to beat an expected increase in long-term rates that could push mortgage rates higher. According to Freddie Mac, the 30-year fixed rate mortgage averaged 4.02% for the week ending June 25, 2015, which is up 0.43% from the low reached in early February. According to the Commerce Department, building permits in May 2015 were at a seasonally adjusted annual rate of 1,275,000. This is 25.4% above the May 2014 estimate of 1,017,000. Local housing markets continue to demonstrate positive momentum in both Michigan and Wisconsin. Single family building permits as measured by the National Association of Home Builders were up 11% year over year in Michigan compared to a gain of 27% in Wisconsin.

The most recent United States Department of Agriculture (USDA) estimate indicates farmers planted a record high 85.1 million acres of soybeans for 2015, up 1.7% from last year, while corn acreage is estimated at 88.9 million acres, down 1.9% from last year, representing the lowest planted acreage in the U.S. since 2010. Soybean yield is projected to come in at 46.0 bushels per acre while corn yield is expected to come in at 166.8 bushels per acre. The USDA, as of June 10, 2015, estimated soybeans stored totaled 625 million bushels, up 54% from last year. Corn stocks were estimated to be 4.45 billion bushels, up 15% from the same time last year.

The USDA forecast for milk production has been raised to 208.7 billion pounds for 2015 and 213.9 billion pounds for 2016. Annual forecasts for the all-milk price are $17.15-$17.55 per hundredweight (cwt) for 2015 and $17.45-$18.45 per cwt for 2016. In April 2015, commercial exports of dairy products on a milk-equivalent skim-solids experienced the first year over year increase since June 2014. Exports of whey products and lactose also increased significantly. From April 2014 through December 2014, the U.S. domestic price exceeded export prices of both Oceania and Europe. In 2015, the U.S. domestic price has been below the Oceania export price and has essentially converged with the European export price.

Since the beginning of this year, the U.S. poultry industry has been confronted with multiple outbreaks of Highly-Pathogenic Avian Influenza (AI), a virus lethal to poultry. To date, the heaviest incidence of the virus has fallen on table egg layers and on turkeys in Midwestern states. The virus has affected production, trade, and prices. Egg production expectations have been reduced, reflecting the impact of the outbreaks. The current outbreak of AI has not significantly impacted the production of broiler meat. The primary impact of AI for the broiler industry has been in its export sector. The turkey industry has seen AI impact both its production and exports. Both turkey production and export expectations have been reduced, reflecting the number of turkeys that have been culled and the number of full and partial trade restrictions that have been put in place.

The USDA projects fiscal 2015 agricultural exports at $140.5 billion, down $12.0 billion from fiscal 2014. If realized, this would be the lowest level of exports since fiscal 2012. Lower exports of high-value products make up nearly the entire decline from the previous forecast. Exports of horticultural products are down $1.0 billion with slower than expected shipments of fresh and processed fruits and vegetables and other horticultural products. The forecast for livestock, poultry, and dairy is lowered $500 million on smaller exports of dairy due to strong global competition and reduced poultry exports due to greater trade restrictions. The extraordinary risks related to geopolitical upheavals and severe financial instability brought about by a disorderly exit from the zero interest rate policy in the U.S., failure to reach a satisfactory agreement between Greece and its creditors, and a hard landing in China are all threats to continued global economic growth and U.S. agricultural exports.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $6.7 billion at June 30, 2015, a $6.8 million increase from December 31, 2014.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank, was $7.0 billion at June 30, 2015, a $22.2 million decrease from December 31, 2014. Our combined mortgage portfolio increased $64.8 million or 1.3% from December 31, 2014. The asset growth in the mortgage portfolio during the first six months of 2015 was primarily attributed to our Commercial Lending Unit, which grew 4.8% from year-end. Our short-term commercial loan portfolio decreased $87.1 million or 4.5% from December 31, 2014. This expected reduction is primarily attributed to the seasonal repayment of tax planning disbursements from November and December 2014 as well as the significant number of annual payments being due in the first quarter. When compared to June 2014, owned and managed mortgage volume is up 7.5% and commercial loan volume is up 10.2%. Both of these reflect an asset growth rate year over year that supports our 2015 business plan.

Portfolio Credit Quality

Credit quality remained strong during the first half of 2015. Acceptable loan credit quality, as measured under the Uniform Classification System, decreased slightly to 97.4% after beginning the year at 97.5%. Year over year credit quality improved 0.8 percentage points from 96.6% acceptable at June 30, 2014. The level of loan quality is currently above the strategic objective of 90.0% of the portfolio rated acceptable. Portfolio assets criticized as being less than acceptable are comprised of 1.1% other assets especially mentioned (OAEM) and 1.5% adversely classified. Both categories remained relatively unchanged from December 31, 2014.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. Credit quality of our core market of traditional production farm loans remains very sound. Weaker borrowers in our greenhouse and nursery, part-time farmers, and rural home portfolios continued to be challenged financially during the first half of 2015.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse asset to risk funds ratio of 8.6%. This ratio has improved since December 31, 2014 when it was 9.4%. This ratio is a good measure of our risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At June 30, 2015, $257.5 million of our loans were, to some level, guaranteed under these programs.

Risk Assets

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

As of:	**June 30 2015**	December 31 2014
Loans:		
Nonaccrual	**$44,442**	$47,553
Accruing restructured	**3,178**	3,173
Accruing loans 90 days or more past due	**1,815**	--
Total risk loans	**49,435**	50,726
Acquired property	**2,688**	1,904
Total risk assets	**$52,123**	$52,630
Total risk loans as a percentage of total loans	**0.7%**	0.7%
Nonaccrual loans as a percentage of total loans	**0.7%**	0.7%
Total delinquencies as a percentage of total loans	**0.5%**	0.3%

Our risk assets have decreased slightly from December 31, 2014 and remained at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loans decreased from $47.6 million at December 31, 2014 to $44.4 million at June 30, 2015. This $3.1 million decrease in nonaccrual volume was primarily due to paydowns. As of June 30, 2015, approximately 38% of the nonaccrual loan portfolio was comprised of greenhouse and nursery loans, 20% general crop and livestock farms, and 19% part-time farmers. Nonaccrual loans remained at an acceptable level at June 30, 2015 and 70.6% of our nonaccrual loans were current.

Our accounting policy requires accruing loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, all loans 90 days or more past due and still accruing interest were eligible to remain in accruing status.

Acquired property inventory increased slightly from $1.9 million as of December 31, 2014 to $2.7 million as of June 30, 2015. The increase was primarily due to the net addition of three properties during the first six months of the year.

Allowance for Loan Losses

The allowance for loan 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 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:	**June 30 2015**	December 31 2014
Allowance as a percentage of:		
Loans	**0.5%**	0.5%
Nonaccrual loans	**69.8%**	71.7%
Total risk loans	**62.7%**	67.2%

The allowance for loan losses decreased $3.1 million from December 31, 2014 to June 30, 2015. During the first half of 2015, a reversal of loan loss provision of $2.5 million was recorded as well as $623 thousand of net charge-offs. The decrease in the allowance for loan losses is primarily due to a large commercial relationship payoff.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loans commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income for the six months ended June 30, 2015 includes a reversal of provision for loan losses of $2.5 million, which was offset by a provision for credit losses on unfunded loan commitments of $4.1 million. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $6.2 million and $2.1 million as of June 30, 2015 and December 31, 2014, respectively.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2015.

RESULTS OF OPERATIONS

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

For the six months ended June 30	**2015**	2014
Net income	**$65,859**	$71,926
Return on average assets	**1.9%**	2.3%
Return on average members' equity	**10.2%**	12.1%

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 six months ended June 30	**2015**	2014	**Increase (decrease) in net income**
Net interest income	**$88,998**	$85,695	**$3,303**
(Provision for) reversal of credit losses	**(1,578)**	5,304	**(6,882)**
Patronage income	**11,438**	13,284	**(1,846)**
Financially related services income	**4,169**	3,622	**547**
Fee income	**6,852**	6,314	**538**
Acquired property income, net	**232**	355	**(123)**
Miscellaneous income, net	**397**	344	**53**
Operating expenses	**(42,475)**	(38,476)	**(3,999)**
Provision for income taxes	**(2,174)**	(4,516)	**2,342**
Net income	**$65,859**	$71,926	**($6,067)**

The following table quantifies changes in net interest income for the six months ended June 30, 2015 compared to the same period in 2014 (in thousands):

	2015 vs 2014
Changes in volume	**$7,774**
Changes in interest rates	**(4,342)**
Changes in nonaccrual income and other	**(129)**
Net change	**$3,303**

The change in the (provision for) reversal of credit losses includes a reversal of provision for loan losses of $2.5 million for the first half of 2015 compared to $7.4 million for the first half of 2014. During 2014, there were large amounts of paydowns on adversely classified loans as well as improved credit quality. In addition, a $4.1 million provision was recorded on unfunded loan commitments during the first half of 2015 compared to $2.1 million during 2014.

The change in patronage income was primarily related to a decreased patronage rate applied to loans in the AgriBank Asset Pool Program and to the average balance on our note payable with AgriBank compared to the prior year.

The change in operating expenses was primarily related to increases in salaries and employee benefits and Farm Credit System Insurance Corporation (FCSIC) expense. 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.

The change in provision for income taxes was primarily related to lower taxable income on the taxable ACA entity.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures on January 31, 2016, at which time the note will be renegotiated. 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 June 30, 2015 or December 31, 2014.

Total members' equity increased $51.0 million from December 31, 2014 primarily due to net income for the period partially offset by patronage distribution accruals.

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 8 in our 2014 Annual Report for a more complete description of these ratios. As of June 30, 2015, the ratios were as follows:

- The permanent capital ratio was 16.4%.
- The total surplus ratio was 16.1%.
- The core surplus ratio was 16.1%.

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.

CERTIFICATION

The undersigned certify they have reviewed GreenStone Farm Credit Services, ACA's June 30, 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.

Scott A. Roggenbuck
Chairperson of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Travis D. Jones
Chief Financial Officer
GreenStone Farm Credit Services, ACA

August 5, 2015

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**June 30 2015**	December 31 2014
ASSETS		
Loans	**$6,728,589**	$6,721,782
Allowance for loan losses	**31,006**	34,106
Net loans	**6,697,583**	6,687,676
Investment in AgriBank, FCB	**105,850**	103,368
Investment securities	**23,216**	25,661
Accrued interest receivable	**49,135**	47,645
Premises and equipment, net	**37,363**	34,526
Acquired property	**2,688**	1,904
Deferred tax assets, net	**4,149**	5,170
Other assets	**36,954**	40,386
Total assets	**$6,956,938**	$6,946,336
LIABILITIES		
Note payable to AgriBank, FCB	**$5,563,410**	$5,582,495
Accrued interest payable	**22,300**	21,324
Patronage distribution payable	**15,050**	36,200
Other liabilities	**42,228**	43,343
Total liabilities	**5,642,988**	5,683,362
Contingencies and commitments	**--**	--
MEMBERS' EQUITY		
Protected members' equity	**2**	2
Capital stock and participation certificates	**21,272**	21,105
Unallocated surplus	**1,292,676**	1,241,867
Total members' equity	**1,313,950**	1,262,974
Total liabilities and members' equity	**$6,956,938**	$6,946,336

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

CONSOLIDATED STATEMENTS OF INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2015**	2014	**2015**	2014
Interest income	**$67,388**	$63,010	**$134,486**	$126,794
Interest expense	**23,048**	20,660	**45,488**	41,099
Net interest income	**44,340**	42,350	**88,998**	85,695
Provision for (reversal of) credit losses	**4,965**	(1,478)	**1,578**	(5,304)
Net interest income after provision for (reversal of) credit losses	**39,375**	43,828	**87,420**	90,999
Non-interest income				
Patronage income	**5,723**	6,528	**11,438**	13,284
Financially related services income	**1,480**	1,057	**4,169**	3,622
Fee income	**3,900**	3,878	**6,852**	6,314
Acquired property income, net	**148**	156	**232**	355
Miscellaneous income, net	**38**	12	**397**	344
Total non-interest income	**11,289**	11,631	**23,088**	23,919
Operating expenses				
Salaries and employee benefits	**14,228**	12,786	**28,239**	25,417
Other operating expenses	**7,091**	6,564	**14,236**	13,059
Total operating expenses	**21,319**	19,350	**42,475**	38,476
Income before income taxes	**29,345**	36,109	**68,033**	76,442
Provision for income taxes	**236**	2,360	**2,174**	4,516
Net income	**$29,109**	$33,749	**$65,859**	$71,926

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2013	$3	$20,614	$1,135,295	$1,155,912
Net income	--	--	71,926	71,926
Unallocated surplus designated for patronage distributions	--	--	(13,887)	(13,887)
Capital stock and participation certificates issued	--	880	--	880
Capital stock and participation certificates retired	--	(705)	--	(705)
Balance at June 30, 2014	$3	$20,789	$1,193,334	$1,214,126
Balance at December 31, 2014	$2	$21,105	$1,241,867	$1,262,974
Net income	**--**	**--**	**65,859**	**65,859**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(15,050)**	**(15,050)**
Capital stock and participation certificates issued	**--**	**981**	**--**	**981**
Capital stock and participation certificates retired	**--**	**(814)**	**--**	**(814)**
Balance at June 30, 2015	**$2**	**$21,272**	**$1,292,676**	**$1,313,950**

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 six months ended June 30, 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 GreenStone Farm Credit Services, ACA (the parent) and GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period's presentation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of 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 AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

As of:	**June 30, 2015**		December 31, 2014	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$4,104,652**	**61.0%**	$3,985,716	59.3%
Production and intermediate term	**1,867,426**	**27.8**	2,001,441	29.8
Agribusiness	**483,944**	**7.2**	454,574	6.8
Other	**272,567**	**4.0**	280,051	4.1
Total	**$6,728,589**	**100.0%**	$6,721,782	100.0%

The other category is primarily comprised of rural residential real estate, communication, and energy related loans as well as loans originated under our mission related investment authority.

Delinquency

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

As of June 30, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	**$9,961**	**$3,242**	**$13,203**	**$4,121,271**	**$4,134,474**	**$ --**
Production and intermediate term	**7,812**	**7,265**	**15,077**	**1,869,615**	**1,884,692**	**1,815**
Agribusiness	**46**	**--**	**46**	**485,058**	**485,104**	**--**
Other	**2,235**	**980**	**3,215**	**269,891**	**273,106**	**--**
Total	**$20,054**	**$11,487**	**$31,541**	**$6,745,835**	**$6,777,376**	**$1,815**

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	$9,501	$4,089	$13,590	$3,999,010	$4,012,600	$ --
Production and intermediate term	3,823	2,502	6,325	2,013,730	2,020,055	--
Agribusiness	--	--	--	455,861	455,861	--
Other	2,649	1,042	3,691	276,872	280,563	--
Total	$15,973	$7,633	$23,606	$6,745,473	$6,769,079	$ --

Risk Loans

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

As of:	**June 30 2015**	December 31 2014
Volume with specific reserves	**$28,601**	$33,272
Volume without specific reserves	**20,834**	17,454
Total risk loans	**$49,435**	$50,726
Total specific reserves	**$12,318**	$15,895
For the six months ended June 30	**2015**	2014
Income on accrual risk loans	**$117**	$62
Income on nonaccrual loans	**546**	1,332
Total income on risk loans	**$663**	$1,394
Average risk loans	**$52,461**	$63,976

We had two relationships to lend additional money to borrowers whose loans were at risk at June 30, 2015. The balance of the unfunded loan commitments were $6.2 million and $2.1 million as of June 30, 2015 and December 31, 2014, respectively.

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 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 six months ended June 30 (in thousands):

	2015		2014	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$291	$293
Production and intermediate term	**138**	**139**	12	12
Other	**--**	**--**	94	104
Total	**$138**	**$139**	$397	$409

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 type of modification during the first half of 2015 was extension of maturity.

We had TDRs in the production and intermediate term loan category of $22 thousand that defaulted during the six months ended June 30, 2015 in which the modifications were within twelve months of the respective reporting period. There were no TDRs that defaulted during the six months ended June 30, 2014 in which the modification was within twelve months of the respective reporting period.

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

As of:	**June 30 2015**	December 31 2014
Accrual status:		
Real estate mortgage	**$2,410**	$2,412
Production and intermediate term	**602**	594
Other	**166**	167
Total TDRs in accrual status	**$3,178**	$3,173
Nonaccrual status:		
Real estate mortgage	**$1,067**	$1,366
Production and intermediate term	**404**	346
Other	**243**	254
Total TDRs in nonaccrual status	**$1,714**	$1,966
Total TDRs	**$4,892**	$5,139

We did not have any material commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2015.

Allowance for Loan Losses

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

Six months ended June 30	**2015**	2014
Balance at beginning of year	**$34,106**	$38,772
Reversal of loan loss provision	**(2,477)**	(7,444)
Loan recoveries	**343**	320
Loan charge-offs	**(966)**	(1,673)
Balance at end of period	**$31,006**	$29,975

The allowance for loan losses decreased $3.1 million from December 31, 2014 to June 30, 2015. During the first half of 2015, a reversal of loan loss provision of $2.5 million was recorded as well as $623 thousand of net charge-offs. The decrease in the allowance for loan losses is primarily due to a large commercial relationship payoff.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loans commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income for the six months ended June 30, 2015 includes a reversal of provision for loan losses of $2.5 million, which was offset by a provision for credit losses on unfunded loan commitments of $4.1 million. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $6.2 million and $2.1 million as of June 30, 2015 and December 31, 2014, respectively.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $23.2 million at June 30, 2015 and $25.7 million at December 31, 2014. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

The following table presents further information on investment securities (dollars in thousands):

As of:	**June 30 2015**	December 31 2014
Amortized cost	**$23,216**	$25,661
Unrealized gains	**988**	933
Fair value	**$24,204**	$26,594
Weighted average yield	**1.2%**	0.7%

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $143 thousand and $121 thousand for the six months ended June 30, 2015 and 2014, respectively.

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.

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.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2015 or December 31, 2014.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis follows (in thousands):

	As of June 30, 2015				**Six months ended June 30, 2015**
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	**$ --**	**$9,538**	**$7,559**	**$17,097**	**$2,611**
Acquired property	**--**	**3,610**	**--**	**3,610**	**147**

	As of December 31, 2014				Six months ended June 30, 2014
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	$ --	$10,157	$8,089	$18,246	$1,770
Acquired property	--	2,719	--	2,719	345

Valuation Techniques

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 requires 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.

Acquired property: 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.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 5, 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.