Annual Report

2014

“GreenStone’s success always has, and will always be, a direct result of the hard work, perseverance, and passion that its members put into their operations...”

FINANCIAL HIGHLIGHTS OF 2014

Members	23,000+
Total Assets (Owned and Managed)	$7.3 Billion
Total Loan Growth (Owned and Managed)	6.4%
Net Income	$142.8 Million
Cash Patronage to be paid in March 2015	$36.2 Million

MESSAGE FROM THE CEO AND BOARD CHAIR:

MARCH 11, 2015

GREENSTONE ONCE AGAIN REACHED NEW RECORDS OF ACHIEVEMENT IN SEVERAL AREAS OF FINANCIAL PERFORMANCE IN 2014 PRIMARILY DUE TO THE RELATIVE STRENGTH OF THE AGRICULTURAL ECONOMY BUT, ALSO AS A RESULT OF THE DISTINCTION IT CREATES IN THE MARKETPLACE THROUGH STRONG CUSTOMER RELATIONSHIPS, A COMMITMENT TO EXTRAORDINARY SERVICE, AND BEING AN INTEGRAL PART OF THE LOCAL RURAL COMMUNITIES IT SERVES.

In addition to the usual financial reporting, this year's Annual Report highlights just a few of the members and employees who provide representative illustrations of this distinction that separates GreenStone from its competitors. We believe you will agree this has been, is, and will always be a people business and GreenStone is blessed to have some of the very best!

One customer profile highlights an example of the lasting relationships GreenStone has with young, beginning, and small farmers. Todd Augustian, along with his GreenStone financial services officer, Laurie Schetter, discuss their relationship over the past ten years and the valuable financial and business advice she has provided based on her intimate knowledge of his operation and future plans.

GreenStone's superior level of service encourages customers to not only continue their relationship with the association over multiple generations, but to expand those relationships over time with additional GreenStone services. Dekker Bros. Farm has worked closely with their financial services officer, Luke Bakker, to grow their business using not just loan products, but crop insurance, life insurance, and now payroll processing.

Farm Credit, dating back to the Production Credit and Federal Land Bank associations, has been a fixture in the local communities it serves for nearly 100 years, and will continue to be a dependable, competitive, and responsible source of credit and other financial services. Stories like Floyd Meyer II and his brother, Craig, are examples of an equally strong heritage on the farm that Farm Credit is proud to be a part of.

Finally, GreenStone is fortunate to have the best employees of any financial institution around. Team members like Amanda Kroll (living the agricultural lifestyle on her family farm), Dennis McDonald (celebrating more than 41 years of service), Autumn Rector (who has excelled in efforts of outreach and volunteerism), Ju Yang (who has held a number of roles at GreenStone), and Earl Zelmer (who grew up in the same hometown where he lives and works today), are just a few examples of what makes each and every one of GreenStone's nearly 500 employees a cut above the competition.

GreenStone's success always has, and will always be, a direct result of the hard work, perseverance, and passion that its members put into their operations and its employees demonstrate on a daily basis in helping them reach their goals. Without these two equally dedicated groups of people, GreenStone would not exist.

FINANCIAL HIGHLIGHTS

As mentioned above, GreenStone's financial performance is very dependent on the financial success of its members. While 2014 is not projected to be as strong overall for net farm income as last year, it was another record year for GreenStone in a number of areas.

1. GreenStone achieved 1,000 points on an internal index scale of 0-1,000 used as a means of assessing the organization's overall performance, including return on assets, capital, efficiency, adverse assets, three year average portfolio growth and customer satisfaction. While we have been close for a number of years, this year was the first time GreenStone, or any of its predecessor organizations, have ever achieved the pinnacle, a perfect score of 1,000.
2. Record earnings of $142.8 million.
3. Owned and managed loans reached just over $7.0 billion at year end 2014.
4. Record cash patronage paid from 2014 earnings of $36.2 million. This marks a decade of giving back, totaling $200 million returned to our members since the program was initiated.
5. Credit quality matched historical highs with 97.5 percent of loan volume considered acceptable.

The record achievements of the last few years will be very difficult, if not impossible, to consistently obtain in the future, but that does not mean that your association won't be well positioned to continue to carry out its mission and provide its members with a dependable, competitive, and responsible source of credit and financial services for years to come.

LEGISLATIVE EFFORTS

Another "first" for GreenStone in 2014 was a new patronage member campaign for MI GreenStone PAC last January. Members were asked to contribute either from their 2013 cash patronage payments or other means. As always, GreenStone members stepped forward to enhance not only GreenStone's political voice, but that of the entire industry as well. The PAC raised just over $18,000 from over 300 Michigan members. Between the MI GreenStone PAC and Wisconsin Farm Credit PAC, nearly $17,000 was used to successfully support 37 Michigan and Wisconsin Senate and House of Representative candidates. Another $38,000 was dispersed from the National Farm Credit PAC to eight federal legislators within GreenStone's territory.

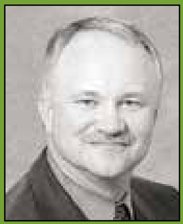
GreenStone also works with other agricultural organizations to maximize our political presence at both the state and federal levels to ensure legislators understand and support the industry's needs. A few state issues focused on in 2014 ranged from an amendment to the Michigan Register of Deeds Act to provide a cleaner path to record legal documents to infrastructure improvements, high capacity wells, tax changes, central agriculture lien filing, and education. Federal issues included Farm Credits' GSE statute, EPA regulations regarding the definition of navigable waters and immigration.

We share this legislative overview now because it is important for you to know what your association is doing to support you and your industry. GreenStone is much more than a financial institution; it is your Farm Credit association whose sole purpose is to serve the needs of its members.

CLOSING

While results like those of 2014 may not be replicated at this same level in the future, they do position your association well for the inevitable economic downturns our industry will face. Even with high levels of performance, we pledge to never become complacent or take you or your business for granted.

Thank you for being a GreenStone member and best wishes for a healthy, safe, and happy 2015!



Scott A. Roggenbuck
Chairperson of the Board

David B. Armstrong
Chief Executive Officer

Floyd II & Craig Meyer

MEYER FARM
BAY CITY, MI

Raises: Sugar beets, corn, dry beans, soybeans and pickles

GreenStone Customer: 30+ years

Partnering Through the Generations

Floyd II and Craig Meyer are the fifth generation to manage their family farm, producing sugar beets, corn, dry beans, soybeans, and pickles in Bay City, Michigan. The story of the farm begins in 1832 in Neuendettelsau, a town about 20 miles southwest of Nuremburg in Bavaria, Germany. This was the birthplace of Michael Meyer, the first generation to emigrate from Germany for a new life in America.

Michael acquired land through the Homestead Act in 1863. It took two years for the final deed to travel to Washington, D.C. and back to Michigan. The deed for the farm was signed April 12, 1865 by none other than President Abraham Lincoln. Days later, on April 14, 1865, Lincoln was assassinated at Ford's Theatre in Washington, D.C.

> **"GreenStone did business with their father for many years, and it is great to see the family tradition carry on working with Floyd and Craig now."**

In 1873 Michael married Sabina Ruffertsofer and three years later had their first son, George, followed by three daughters, Anna, Carolina, and Maria. "What's amazing is George had three sisters, and that is the last time the family was dominated by girls. It's always been one girl and three boys," said Janet Wood, sister of Floyd II, Craig, and Eric Meyer.

As the family historian, Janet has completed an impressive genealogy. She has compiled binders full of historical documents and photos related to the family and the farm. "The one thing that is sad is, by the time you are old enough to understand the concept of heritage, the ones you need to ask the questions aren't here," she said.

George married Louise Fisher and the couple had one son, born in 1911, also named George. He was the third generation of the Meyer family to run the farm business and the last generation to work directly with horses, but it was not his first choice of occupation. "Grandpa George wanted to be a mortician, but his dad died when he was 19 so he was forced on the farm," Floyd II explained. "He offered to pay our college tuition to go be morticians, and we were like, 'no thanks, grandpa,'" Floyd II said with a laugh.

George married Edna Bedell and the couple had two sons, Fredrick and Floyd Sr. Grandpa George passed away in 1988 at the age of 77. "He would be amazed at today's automated technology," said Floyd II. "It's a lot less labor intensive today, but probably more stress."

Floyd Sr. was a long-time customer of GreenStone, and before that, the Meyer family worked with the Federal Land Banks and Production Credit Associations. "He owned his first tractor at 13," said Floyd II. "Everybody would say, most kids just want to ride a tractor—Floyd owns one."

"His first love was farming; I was his second. We were going to get engaged, and he went and bought himself a tractor. So I had to wait for my ring, but I got it shortly after. It was always the family joke," said Nancy Meyer with a smile. Nancy and Floyd Sr. married in 1961.

Growing up on the farm, Floyd II and Craig always knew they wanted to work on the family land. "I bought my first tractor in 1981 right out of high school with a loan from GreenStone," Floyd II said. GreenStone financial services officer, Wayne Sevilla, works with the Meyer family today. "It is wonderful how GreenStone can continue to work with families through the generations," said Wayne. "GreenStone did business with their father for many years, and it is great to see the family tradition carry on working with Floyd and Craig now."

Floyd Sr. dedicated his life to the farm and his family. "Dad was 73, he didn't have a thing for money, but he had a love for land," said Floyd II. Floyd Sr. passed away in August 2014. "He asked me and Craig, 'Can I borrow your shed for a funeral?' We said, 'Yeah, dad, whatever you want.' We had the funeral on the farm, and had over 1,200 people come and see dad."

A sixth generation of the family is already helping out on the farm. Floyd II's sons Kendell, Kevin, and Kirk also work on the farm, and his daughter, Kayla, is a college student. Kendell and his wife, Heather, are expecting a baby in March 2015. With the new baby comes pride and the hope that the farm will again pass on to the seventh generation of the Meyer family. "Hopefully farming will continue on with another generation," said Janet. ■

Sesquicentennial Farm

George and Edna celebrated the Meyer Farm centennial in 1963, dressing in period clothing to commemorate the event. Floyd II was only an infant at the time of the 100th anniversary celebration, but as an adult he hosted his own anniversary event. In 2013 he and Craig marked the 150th anniversary of the farm with a celebration that lasted several days and included fireworks, food, a band, and tractor pull, among other festivities.

150+

Founded in 1863, family heritage runs deep on the Meyer farm

500 STRONG

GREENSTONE TEAM MEMBERS ARE COMMITTED TO OUR CUSTOMERS AND ARE PASSIONATE ABOUT AGRICULTURE AND THE RURAL COMMUNITIES WHERE THEY WORK AND LIVE. A team of nearly 500 strong, GreenStone employees strive to put customers first, deliver quality, get involved and always do the right thing. These following five profiles are great examples of what makes each and every GreenStone employee the best and brightest in the industry.

LIVING THE FARM LIFE–

Amanda Kroll

Financial Services Officer
Little Chute

Amanda has worked at GreenStone for the last seven years as a financial services officer for the country living market in Little Chute, Wisconsin. She grew up on a hobby farm in Mason, Michigan and now lives on her husband's family farm in Wisconsin. Amanda's husband, Marty, is in partnership with his father and two brothers who own and operate a dairy farm in Green Bay. The family farm milks cows and raises steers, heifers, and crops for feed.

Amanda has a true passion for agriculture and says her favorite part of working for GreenStone is being able to bring that passion for farming to work by collaborating with others who understand and embrace farm life. At home, Amanda helps out on the farm as much as possible. "I work full-time, but our family lives on the farm. If cows get out in the middle of the night and it's 40 below, I'm helping get them back in," she said.

TENURE REDEFINED–

Dennis McDonald

Vice President–
Data Reporting
East Lansing

Dennis celebrated 40 years in 2013 after getting his start in Farm Credit on June 11, 1973 as a loan officer in Ann Arbor, Michigan. "I graduated from college one Saturday, got married the next Saturday, and eight days later started with Farm Credit," said Dennis.

Dennis worked as a loan officer until 1978, when he moved to St. Johns to be a credit manager for the Federal Land Bank association. He continued to work in St. Johns serving in several roles, including CEO of the Federal Land Bank Association of St. Johns. Dennis participated in a number of Farm Credit mergers until ultimately GreenStone Farm Credit Services was formed in 1999. Dennis accepted a role as regional vice president from 1999 to 2005, and then served as the AgriConsumer lending, leasing, and trade credit senior vice president until 2010. For the last five years, Dennis has been the vice president of data reporting for GreenStone.

"As the business keeps changing, the data needs of our organization continue to grow," he said. "People always want more and more information, sliced in different ways."

SUPPORTING THE FUTURE–

Autumn Rector

Credit Analyst
Traverse City

As a credit analyst, Autumn Rector works in Traverse City, Michigan, but also services the Alpena and Cadillac branches. A love for agriculture prompted Autumn to become a supporter of the local county fair and 4-H junior beef program in a unique way. For the second year in a row, the Traverse City branch has hosted a 4-H essay contest. "Students can write about what 4-H means to them or how they are involved in agriculture, and the branch picks winners for first and second place," explained Autumn. The first place winner is awarded a calf that GreenStone purchases at the livestock auction. The essay winner then gets to bring that calf back as a finished market steer for the next year's fair, while second place receives $200 toward their animal purchase for the next year's fair.

Autumn and the Traverse City team also receive updates from essay winners on how their calf is doing throughout the year. "It's really great to get to know the kids," she said.

DIVERSIFIED EXPERIENCE –

Ju Yang

Vice President–
Commercial Lending
Grand Rapids

Ju Yang has years of experience spread across multiple roles at GreenStone. He began his career with GreenStone as a credit analyst with the capital markets department, before transitioning into a lending officer role. He enjoyed the work in capital markets, but as he and his wife began to think about starting a family, they were drawn back to their hometown of Grand Rapids, Michigan. When an opening for a credit officer in the risk asset department became available, Ju applied and was offered the job.

After a couple years as a credit officer, a retirement opened up the vice president of commercial lending position. Ju's previous roles at GreenStone gave him the experience he needed to be the successful candidate for the job. Now, more than a year into his current role, Ju says working with customers is his favorite part of the job. "I wanted to go back into sales," he says. "I love working with our different customers. Now I am directly working with large family farms and agribusinesses. I love watching them grow and being a part of it."

HOME GROWN–

Earl Zelmer

Crop Insurance Specialist
Berrien Springs

Earl Zelmer grew up on a dairy farm in Bridgman, Michigan, only a short drive away from the GreenStone office where he now works in Berrien Springs. He still lives in Bridgman and says the innate knowledge of growing up in the community is an asset to his job today. "Berrien County is very diverse in terms of crop production," he said. "We are second only to Salinas, California. You have to know a lot about a lot of different things. I grew up in it, so it is easier for me to understand it and talk with farmers." Earl says he enjoys working with customers to establish a risk management plan for their particular operation. "You can have the same acres, the same crops, but everybody is individual; everyone is different in their way of thinking and what they want to protect."

Working with the financial services officers is also a plus for Earl. In particular, he notes his colleague, Duane Paturalski. "We grew up together, attending the county fairs since we were eight or nine years old," said Earl. This is one of his many great GreenStone teammates in the southwest region.

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Jared & Jordan Dekker

DEKKER BROS. FARMS
HUDSONVILLE, MI

Raises: Greenhouse plants and zucchini

GreenStone Customer: 7 years

Growing Success One Step at a Time

Twin brothers Jared and Jordan Dekker, 29, always knew they wanted to go into business together. Driven from a young age, the brothers found part-time jobs when they were just 13 at a greenhouse near their hometown of Hudsonville, Michigan. After learning the ropes, the brothers discovered they loved working in the greenhouse business and hoped to turn it into a career someday.

After high school the twins attended Michigan State University. It was during college that they realized greenhouse growing was something they wanted to do full-time. While still in college, Jared rented a small greenhouse near Grand Rapids and began planting Hens and Chicks, while Jordan was interning on the east side of the state.

The young entrepreneurs started their business at the height of the U.S. financial meltdown. "We started our business when the economy seemed to be in a downturn" said Jordan. "We couldn't believe we were buying land and starting a business, we were still unsure how we would tie it all together. It was hard for others to share our vision. We had a plan, we just had to continue to work hard."

After roughly seven years of running their business part-time, the brothers are now in their fourth year of full-time business as Dekker Bros. Farms. With five and a half acres under plastic, Jared oversees the greenhouses, while Jordan leads the zucchini production.

The brothers initially invested personal funds into their greenhouse business. As they continued to expand, the need for additional capital arose. "We started growing and that needed funding," said Jared. "I asked for $10,000 from GreenStone, and I thought it was a big deal. I was 18, living with my parents, and Jordan and I knew going forward if we were going to do this, we would have to pioneer our way through this together." The twins said their decisions and growth of the business came with much support and encouragement from their parents. In addition to support from family, the brothers acknowledge the role GreenStone played in helping them expand. "If it was not for GreenStone, we would not be here today," said Jordan.

In an effort to diversify their business, the brothers decided to start growing zucchini. After researching zucchini production, Jordan learned that raised beds produced a quicker, better yield. The first year, they planted 25 acres of zucchini and harvested it all by hand. Taking each experience as a new learning opportunity, the brothers soon realized they needed to find a more efficient way to harvest the zucchini. They worked together to develop a custom-built conveyor for their harvest. This past year, the Dekkers planted over 120 acres of zucchini on raised beds.

GreenStone financial services officer, Luke Bakker, enjoys working with the Dekker brothers. He assists them with loans, life insurance, and crop insurance needs. Luke is also working on a plan to help Dekker Bros. Farms with payroll in 2015. "The Dekker brothers are very hard workers and have a lot on their plate, for this reason, GreenStone is working with the brothers to alleviate the extra paperwork that goes along with running a small business."

In addition to a growing business, the brothers have growing families as well. Both brothers are married and recently started families of their own. Jordan and his wife, Janine, have one-year-old triplets, Deacon, Annabelle, and Jameson. Jared and his wife, Sue, have a six month old son, Chase. Both brothers credit their wives and family for the incredible support system that enables them to pursue their dreams.

As Jordan and Jared look to the future, they are excited to expand and continue offering year-round employment for their staff. They also are committed to working with new technology both in the field and in the greenhouse to increase efficiency. "We are convinced this is what we have been called to do, our continued growth validates that passion and hard work does payoff."

The Dekker brothers say they have achieved success together because they each have the same motivation, but also bring individual ideas to the table. "We have been attached at the hip ever since we were born, said Jared. "It is awesome that we can be in business together and we are fortunate to work with each other every day." ■

LEGISLATIVE EFFORTS

GreenStone launched a new MI GreenStone PAC Patronage campaign last March, with over 300 members giving over $18,000. Between the MI GreenStone PAC and Wisconsin Farm Credit PAC, nearly $17,000 was used to successfully support 37 Michigan and Wisconsin Senate and House of Representative candidates. Another $38,000 was dispersed from the National Farm Credit PAC to eight federal legislators within GreenStone's territory.

DELIVERY QUALITY

572 TWITTER FOLLOWERS

$200 MILLION PATRONAGE RETURNED IN 10 YEARS

GET INVOLVED!

3,000 SERVICE HOURS DONATED

DONATED BY STAFF

2014 CASH PATRONAGE PAYMENT TO MEMBERS

$843,000+

DONATED TO ORGANIZATIONS IN THE COMMUNITIES WE SERVE

MORE THAN 4,000 TREES PLANTED

GreenStone volunteers were out in full force in the city of Detroit on May 17, 2014. The group of more than 130 members planted 4,350 mixed hardwood trees within approximately 10 acres. The event was a community development effort, which resulted in a total of 15,000 trees planted on the eastside of the city. The planting project was organized as part of a partnership between GreenStone, AgriBank, and Hantz Farms.

DO THE RIGHT THING

$27,000 AWARDED IN SCHOLARSHIPS

1,289 FACEBOOK FOLLOWERS >>>>

CUSTOMER FIRST

95% CUSTOMER SATISFACTION

MY ACCESS

In September 2014 GreenStone launched My Access, an online system that brings together Online Banking with a series of value added tools. Through the single, secure login, customers open the door to a variety of communication tools. In 2014, more than 2,900 GreenStone members enrolled in the system. With My Access, customers can view and exchange files, create custom alerts, and access online banking with with a single login.

36 OFFICES IN MICHIGAN & NORTHEAST WISCONSIN

23,000+ MEMBERS

Photo Credt: Discover Mediaworks

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Todd Augustian

AUGUSTIAN DAIRY, LLC
KEWAUNEE, WI

Raises: Dairy

GreenStone Customer: 13 years

Building Customer Connections

Todd Augustian, 37, has had a busy year. In addition to working on his Kewaunee, Wisconsin dairy farm full-time, he was also named Wisconsin's 2014 Outstanding Young Farmer of the Year.

Todd purchased the farm from his parents in 2001. "I grew up on the farm and after high school I went out and was a mechanic for a little while," said Todd. "When my parents talked about selling the cows, I didn't want to see the farm get sold, so I talked to them and set up a plan on ownership to buy it out."

His brother, Aaron, 36, joined the farm part-time in 2006 bringing with him 100 additional cattle, and then came on board full-time in 2009 when they became a Limited Liability Corporation.

Financial services officer, Laurie Schetter, has worked with the Augustians from the very beginning. "I have had the pleasure of working with Todd and Aaron for their entire dairy career so far. Their parents are long time GreenStone customers and as they transitioned the family farm to Todd and Aaron, we continued to work closely together," said Laurie.

"GreenStone, from day one, has helped with the planning of me getting into farming," said Todd. "With each purchase or expansion that we've done, they have been there for lending and helping out on the business side of things." In addition to loans, Todd and Aaron also use GreenStone's tax and accounting and crop insurance services.

The dairy business has not been without its challenges. "We had a barn fire in 2005 and lost everything on the home site," said Aaron. "We rented a neighbor site for four years, and then in 2009 we built a brand new dairy facility back at the home place where my parents lived."

"It is a challenge for any young, beginning farmer to get started, and they had the added challenge of the fire to deal with," said Laurie. "They did a very good job of researching their options and weighing them out before making decisions. They continue to seek the advice of the professionals on their team to assist in their decision making."

"When we built the new dairy we sat down with consultants and they helped us really open our eyes to pushing the numbers and make sure everything would cash flow; and every time we call our lender, Laurie, she is right there to answer questions or fulfill the needs we have," said Aaron.

But with the challenges, come the celebrations. In September 2013, Todd learned that he had been nominated for the Outstanding Young Farmer of the Year award. He had to write an essay about his life in agriculture and where he sees himself in the future. After a weekend of interviews, he was chosen for the award. "Since then, it's been talking to a lot of different people," he said.

As Todd looks to the future, he continues to consult with GreenStone experts. "As their lender, we frequently discuss potential capital purchases and investments, and the affect each will have on the operation," said Laurie. Whatever opportunity comes his way, Todd will be ready. ■

2014 Financials

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 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*.

To request free copies of our Annual or Quarterly Reports contact us as stated above. Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter.

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

GREENSTONE FARM CREDIT SERVICES, ACA
(Dollars in thousands)

	2014	2013	2012	2011	2010
STATEMENT OF CONDITION DATA					
Loans	$6,721,782	$6,249,883	$5,726,832	$5,181,888	$4,878,869
Allowance for loan losses	34,106	38,772	41,964	49,771	43,293
Net loans	6,687,676	6,211,111	5,684,868	5,132,117	4,835,576
Investment in AgriBank, FCB	103,368	157,945	151,615	145,621	143,560
Investment securities	25,661	32,233	40,757	33,820	9,120
Acquired property	1,904	12,751	31,928	62,172	49,644
Other assets	127,727	127,174	118,901	115,015	112,785
Total assets	$6,946,336	$6,541,214	$6,028,069	$5,488,745	$5,150,685
Obligations with maturities of one year or less	$5,683,362	$5,385,302	$75,392	$4,540,728	$62,244
Obligations with maturities greater than one year	—	—	4,903,770	—	4,234,600
Total liabilities	5,683,362	5,385,302	4,979,162	4,540,728	4,296,844
Protected members' equity	2	3	3	4	5
Capital stock and participation certificates	21,105	20,614	19,742	18,512	17,599
Unallocated surplus	1,241,867	1,135,295	1,029,162	929,501	836,237
Total members' equity	1,262,974	1,155,912	1,048,907	948,017	853,841
Total liabilities and members' equity	$6,946,336	$6,541,214	$6,028,069	$5,488,745	$5,150,685
STATEMENT OF INCOME DATA					
Net interest income	$173,768	$168,525	$155,630	$149,759	$134,393
Reversal of (provision for) credit losses	2,689	3,947	(10,045)	(16,490)	(35,495)
Patronage income	27,964	29,017	26,005	23,889	29,296
Other expenses, net	(53,746)	(62,213)	(48,004)	(42,581)	(30,251)
(Provision for) benefit from income taxes	(7,918)	(4,166)	2,571	1,990	(4,453)
Net income	$142,757	$135,110	$126,157	$116,567	$93,490
KEY FINANCIAL RATIOS					
Return on average assets	2.2%	2.2%	2.2%	2.2%	1.9%
Return on average members' equity	11.7%	12.2%	12.5%	12.9%	11.4%
Net interest income as a percentage of average earning assets	2.8%	2.9%	2.9%	3.0%	2.9%
Members' equity as a percentage of total assets	18.2%	17.7%	17.4%	17.3%	16.6%
Net (recoveries) charge-offs as a percentage of average loans	—	(0.1%)	0.3%	0.2%	0.6%
Allowance for loan losses as a percentage of loans	0.5%	0.6%	0.7%	1.0%	0.9%
Permanent capital ratio	16.2%	14.7%	14.6%	14.5%	13.8%
Total surplus ratio	15.9%	14.3%	14.3%	14.1%	13.4%
Core surplus ratio	15.9%	14.3%	14.3%	14.1%	13.4%
OTHER					
Patronage distribution payable to members	$36,200	$29,000	$26,495	$23,313	$18,200

The patronage distribution to members accrued for the year ended December 31, 2014 will be distributed in cash during the first quarter of 2015. The patronage distributions accrued for the years ended December 31, 2013, 2012, 2011, and 2010 were distributed in cash during the first quarter of each subsequent year. No income was distributed to members in the form of dividends, stock, or allocated surplus during these periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREENSTONE FARM CREDIT SERVICES, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries) and provides additional specific information. The accompanying consolidated financial statements and notes to the consolidated financial statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2015, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and seventy-six customer-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System bank, and its affiliated associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). GreenStone Farm Credit Services, ACA is one of the affiliated associations in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par or stated value.

Forward-Looking Information

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", "could", "should", "will", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, financial markets, international, and economic conditions and developments in the United States (U.S.) and abroad,
- economic fluctuations in the agricultural and farm-related business sectors,
- unfavorable weather, disease, and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income,
- changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency actions relating to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions,
- actions taken by the Federal Reserve System in implementing monetary policy,
- credit, interest rate, and liquidity risks inherent in our lending activities, and
- changes in our assumptions for determining the allowance for loan losses, other-than-temporary impairment, and fair value measurements.

Agricultural and Economic Conditions

Net farm income is forecast to be $97.3 billion in 2014, down nearly 25% from 2013's estimate of $129 billion. The 2014 forecast would be the lowest since 2010, but would remain $12.3 billion above the previous 10-year average. Offsetting changes in crop and livestock receipts leave higher expenses as the main driver of changes in 2014 net farm income from 2013. Net cash income is forecast at $108.2 billion, down over 17% from the 2013 estimate. Net cash income is projected to decline less than net farm income primarily because it reflects the sale of carryover stocks from 2013.

U.S. Gross Domestic Product (GDP) increased 5% in the third quarter of 2014, compared to an increase of 4.6% in the second quarter, according to the Bureau of Economic Analysis. The rise in GDP is attributed to an increase in consumer spending, business investment, exports, and federal government spending. Consumer spending increased 3.2% in the third quarter of 2014, compared to 2.5% in the previous quarter. This is a reflection of more spending on goods and services. Business investment accelerated, particularly in transportation equipment, industrial equipment, and intellectual property products. Exports also rose, with industrial supplies and materials accounting for the majority of this growth. In addition, federal government spending increased, largely due to national defense spending. According to the U.S. Commerce Department, privately-owned housing starts in November were at a seasonally adjusted annual rate of 1,028,000, which is 1.6% lower than the revised October estimate of 1,045,000, and 7% lower than the November 2013 rate of 1,105,000. Local housing data softened slightly in both Michigan and Wisconsin. Building permits for single family homes as of November 30, 2014, measured by the National Association of Home Builders, were down 7% and 8% year-over-year in Michigan and Wisconsin, respectively. Both the Michigan and the Wisconsin economies are reporting year-over-year growth in nonfarm payrolls. As of November 30, 2014 Michigan added 40,000 jobs and Wisconsin added 56,700 jobs when compared to November 30, 2013.

In 2014 the dollar appreciated 1.6% against other major currencies. The dollar is expected to appreciate further in 2015 as other economies around the world are signaling slowdowns. A relatively stronger dollar in 2015 would put pressure on agricultural exports as exchange rates for key export destinations will become unfavorable. Unfavorable exchange rates would likely be partially offset by lower overall commodity prices. This, in addition to shifting U.S. energy costs, volatile international trade rules, and uncertain world growth prospects, indicate uncertainty for U.S. agricultural trade in 2015. The United States Department of Agriculture (USDA) predicts 2015 grain and feed exports of $29.9 billion, down $1.2 billion from the August forecast. This decrease is driven by weaker commodity and feed product prices. Fiscal 2015 livestock, poultry, and dairy exports are forecast to increase $800 million to $33.7 billion. This is reflective of growth in beef, pork, and poultry, which is offsetting minor losses in dairy. Beef exports are forecast to increase more than $400 million to a record $6.6 billion, as a result of tight supplies and strong global demand. Pork exports are expected to increase approximately $200 million, to $5.5 billion, due to robust demand. Poultry is forecasted to increase $300 million, to $6.4 billion, due to volume and higher prices. Dairy export value is forecast to decrease $300 million to $6.7 billion, with the expectation that declining world prices and a strong U.S. dollar will lower the competitiveness of U.S. exports and place additional downward pressure on agriculture commodity prices as the year progresses.

In the next two years the U.S. economy is expected to grow at a similar rate to 2014, marking the strongest two-year period since the middle of the 2001-2007 economic expansion. The composition of forecasted growth is expected to remain broad-based. Much of the improvement is anticipated to come from a stronger labor market as slack continues to diminish. Employers are also expected to continue to add an average of 210,000 jobs per month.

The Federal Open Market Committee ("FOMC") is also expecting the unemployment rate, currently at a six-year low of 5.8%, moving down to an average of between 5.2% and 5.3% toward the end of 2015. Fed officials, however, acknowledged inflation was likely to slow next year to between 1.0% and 1.6%, the result of falling oil prices. Core inflation, which excludes volatile food and energy costs, is projected to dip only a bit next year before turning higher to close in on the Fed's target of 2.0% by the end of 2016. Balancing optimism on growth and jobs with the reality of low inflation, policymakers indicated they would take a slower approach to the pace of future rate hikes.

The AgriConsumer market segment benefitted from favorable interest rates and recovering home values in 2014. Reduced refinancing activity was offset by increased activity related to vacant land purchases as well as new and existing home sales. The AgriConsumer segment continues to benefit from strong new home construction financing in the following markets: Ann Arbor, Traverse City, and Grand Rapids, Michigan and the Fox Valley region of Northeast Wisconsin. The general economy continued to improve in our territory during 2014. As of November 2014, the Bureau of Labor and Statistics reports the unemployment rate of Wisconsin has improved year-over-year from 6.4% to 5.2%, well below the 2009 recession peak of 9.2%. In Michigan unemployment levels have declined year-over-year from 8.5% to 6.7%, again well below the 2009 recession peak of 14.2%.

The automotive industry enjoyed a very good year and residential real estate markets continue to rebound in Michigan and Northeast Wisconsin as many areas are reporting that existing home prices are improving as inventories decline. The general economy has been improving in the Ann Arbor, Grand Rapids, and Traverse City, Michigan and the Fox Valley region in Wisconsin where quality properties placed on the market are turning quickly. Recreational land also showed a small increase in market prices, building on momentum that began in late 2013. This bodes well for the Michigan economy and our expectations of this segment of the loan portfolio.

When final 2014 statistics are announced the rate of growth in farm assets is expected to diminish in 2014 compared to recent years. The slowdown in growth is a result of lower net income leading to less capital investment, and moderation in the growth of farmland values. Farm sector debt is expected to increase 3.1%, slightly less than the expected increase in the value of farm assets of 3.2%. Most of the anticipated increase in debt is for operating loans with lower income spurring demand for operating funds. Despite the anticipated higher debt, the historically low levels of debt relative to assets and equity reaffirm the sector's strong financial position.

The events leading to the recent drop in crude oil prices lead most analysts to expect lower energy prices in 2015. In addition, U.S. prices for crude oil and natural gas are expected to remain below world levels in 2015, due to bottlenecks in the U.S. energy refining and transport system. The U.S. energy situation is expected to provide U.S. oil refiners, farmers, manufacturers, fertilizer producers, and farm product exporters a lower cost environment in 2015.

Crop receipts are expected to decrease by $25.1 billion (11.5%) in 2014, led by a projected $10.9 billion decline in corn receipts and a $9.5 billion decline in soybeans and other oil crop receipts. Livestock receipts are expected to increase by $25.9 billion (14.2%) in 2014 largely due to record prices for beef cattle and milk. Total production expenses are expected to increase $18.1 billion in 2014 extending the upward movement in expenses for a fifth straight year.

Row crop producers will face a challenging operating environment in 2015. The USDA is forecasting an average farm price ranging from $3.20 to $3.80 per bushel of corn and an average farm price ranging from $9.00 to $11.00 per bushel of soybeans. Reduced crop prices in 2015 will cause producers to access working capital that was established during recent profitable years in order to manage their operations through a period that will likely be unprofitable.

Dairy producers enjoyed record dairy prices in 2014 coupled with reduced feed costs later in the year which led to record profitability in the industry. However, dairy producers are bracing for a substantial drop in milk prices from the record highs of 2014. Most economists are predicting a marginally profitable year for dairy in 2015 as reduced feed costs will continue to benefit dairy producers in 2015.

2014 was a very profitable year for both the hog and broiler industries. For the hog industry 2014 was the most profitable year on record, with estimated profits near $55 per head. Margins are expected to remain strong through the first three quarters of 2015 before decreasing to more normalized levels in the fourth quarter. Profits for the entire year of 2015 are forecast to be $36 per head which would be the third-highest profit year since 1990. High hog prices and lower costs are the keys to current profitability. Average broiler prices were 5.7% higher than the previous year reflecting strong demand and a favorable competitive position compared to other fresh meats. Broiler margins are expected to remain strong through the first half of 2015 before moderating later in the year. The expected price moderation is due to the recovery of the breeding flock to levels that will support increased production during 2015 which will facilitate an increase in broiler production.

The growth in Michigan and Northeast Wisconsin farmland prices slowed significantly in the second half of 2014 indicating that the recent period of increasing land values is likely coming to an end. While quality cropland continues to sell at a moderate rate, lower quality cropland prices have softened. Recent sales have been driven mostly by livestock operators while row crop operators have been hesitant to expand. Regional variability has continued to be observed. The southeast and southwest regions of Michigan saw land prices increase 8.6% year over year as of July, whereas the Thumb region of Michigan realized a 16.2% increase in year over year land values in this region through July. The significant declines in corn, soybean, and sugar beet prices this past fall and a more modest price outlook in the future have tempered the appetites of producers to bid on real estate at this time. If another large crop is produced in 2015 and dairy prices continue to soften, we would expect to see acceleration in the price correction process for rental rates and land values in the coming years.

Loan Portfolio

Total loans were $6.7 billion at December 31, 2014, an increase of $471.9 million from December 31, 2013. The components of total loans for the prior three years were as follows (in thousands):

As of December 31	2014	2013	2012
Accrual loans:			
Real estate mortgage	$3,958,382	$3,677,607	$3,264,589
Production and intermediate term	1,985,329	1,886,576	1,793,384
Agribusiness	454,574	346,387	321,097
Other	275,944	281,428	277,658
Nonaccrual loans	47,553	57,885	70,104
Total loans	$6,721,782	$6,249,883	$5,726,832

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.

As part of the AgriBank Asset Pool program, we have sold participation interests in real estate loans to AgriBank. Our total participation interests in this program were $305.9 million, $353.0 million, and $402.4 million at December 31, 2014, 2013, and 2012, respectively.

Our growth in owned and managed loans for 2014 was 6.4%. This level of growth is slightly lower than the 7.7% growth rate experienced in 2013. Growth in all of our market segments was positively impacted by historically low interest rates in both 2014 and 2013. Owned and managed mortgage volume increased 7.3% over December 2013. The year end commercial loan volume increased 5.6% when compared to December 2013. Loan growth was solid in all market segments. Our Traditional Farm segment, including our large commercial loans, grew 7.6% in 2014 compared to 9.6% in 2013. The Capital Markets segment experienced an 11.5% growth rate in 2014 as compared to 7.6% growth rate in 2013. Our AgriConsumer segment market demand slowed due to additional competitive pressure resulting in an asset growth rate of 4.0% compared to 5.3% in 2013. This is partially reflective of the improving economic conditions in our marketplace where more lenders are expanding their lending.

The outlook for overall portfolio growth for 2015 will have similar challenges as our experience in 2014. Increased competitive pressure is expected to create additional challenges to our growth in the Capital Markets and Commercial Producers segments. New entrants into the agricultural lending market will continue to put pressure on our growth level and returns in these segments. We expect moderate demand for expansion capital in dairy and some animal protein sectors during 2015. The level of this demand will depend on the expected profit margins in these segments which look positive today as feed costs have fallen. We continue to see land values reaching plateaus in our regions. The general non-farm economic weakness that has been in place in our territory for the last several years is slowly giving way to improvement. This should provide further opportunities in the AgriConsumer segment, which is seeing high levels of competition with regard to pricing and new competitors continuing to reach the rural segment. Overall, we expect all market segments to show positive growth in 2015, with the Commercial Producers and Capital Market segments providing the highest growth rates. However, we also expect to see continuing loan pricing pressure within all market segments.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs and fixed interest rate lease programs to our borrowers. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

PORTFOLIO DISTRIBUTION

We are chartered to operate throughout Michigan and in certain counties in Wisconsin. Our portfolio is fairly evenly distributed among the territory with no material concentrations in any one county. This is evidenced by there being no individual county representing greater than 5.0% of our total loan volume at December 31, 2014.

Agricultural concentrations exceeding 5.0% of our portfolio at December 31, 2014 included: cash crops 22.9%, dairy 22.4%, and country home living 16.8%. Additional commodity concentration information is included in Note 3.

Our level of portfolio diversification has not changed materially over the last year and continues to be one of our portfolio strengths. Due mainly to our diversity in commodities and the varied operating cycles that those commodities experience, our commercial volume levels do not show significant levels of seasonality.

PORTFOLIO CREDIT QUALITY

The credit quality of our portfolio improved throughout 2014. Adversely classified owned assets decreased from 2.8% of the portfolio at December 31, 2013 to 1.6% of the portfolio at December 31, 2014. Adversely classified assets are assets that we have identified as showing some credit weakness outside normal credit standards. The credit quality of our core market of traditional production farm loans remains very sound. Weaker borrowers in our greenhouse/nursery and grain elevator portfolios continued to be challenged financially during 2014. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, resulted in an adverse asset to risk funds ratio of 9.4%. Management believes the level of adverse assets is very manageable. This is a significant improvement over last year's ratio of 18.7% and the high water mark of 61.5% in October of 2009, as well as below our goal of maintaining this ratio at or below 25.0%. This ratio is a good measure of the association's risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. As of December 31, 2014, $269.6 million of our loans were, to some level, guaranteed under these programs.

RISK ASSETS

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

As of December 31	2014	2013	2012
Loans:			
Nonaccrual	$47,553	$57,885	$70,104
Accruing restructured	3,173	1,923	850
Accruing loans 90 days or more past due	—	—	—
Total risk loans	50,726	59,808	70,954
Acquired property	1,904	12,751	31,928
Total risk assets	$52,630	$72,559	$102,882
Risk loans as a percentage of total loans	0.7%	1.0%	1.2%
Nonaccrual loans as a percentage of total loans	0.7%	0.9%	1.2%
Total delinquencies as a percentage of total loans	0.3%	0.6%	0.7%

Our risk assets have decreased from December 31, 2013 and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loans decreased from $57.9 million at December 31, 2013 to $47.6 million at December 31, 2014. This $10.3 million decrease in nonaccrual volume was partially attributable to a large dairy relationship paid off in 2014 totaling $6.1 million at December 31, 2013 and the pay-down of $3.3 million of a livestock relationship during 2014. The remaining decrease was primarily due to a combination of additional pay-downs, transfers to acquired property, and improved credit quality. As of December 31, 2014, approximately 46% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 20% part-time farmers, 13% general crop and livestock farms, and 10% rural home loans. At December 31, 2014, 75.9% of our nonaccrual loans were current in their payment status.

Accruing restructured loans increased slightly during 2014 from $1.9 million as of December 31, 2013 to $3.2 million as of December 31, 2014. At December 31, 2014, 100% of our accruing restructured loans were current in their payment status.

Acquired property inventory decreased from $12.8 million as of December 31, 2013 to $1.9 million as of December 31, 2014. This improvement was primarily due to the sale of a large timber property during 2014 which had a book value of $10.0 million at December 31, 2013.

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 the 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 allowance coverage, charge-off, and adverse asset information:

As of December 31	2014	2013	2012
Allowance as a percentage of:			
Loans	0.5%	0.6%	0.7%
Nonaccrual loans	71.7%	67.0%	59.9%
Total risk loans	67.2%	64.8%	59.1%
Net (recoveries) charge-offs as a percentage of average loans	—	(0.1%)	0.3%
Adverse assets to risk funds	9.4%	18.7%	27.8%

The allowance for loan losses decreased $4.7 million from December 31, 2013 to December 31, 2014. The decrease in allowance for loan losses is primarily due to several large payments on adversely classified loans and improved credit quality. During 2014, a reversal of $2.4 million for provision for loan losses was recorded, as well as $2.3 million of net charge-offs. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2014.

Additional loan information is included in Notes 3, 11, 12, 13, and 14.

Investment Securities

In addition to loans, we hold investment securities. Investments include our share of securities made up of loans guaranteed by the Small Business Administration. Investment securities totaled $25.7 million, $32.2 million, and $40.8 million at December 31, 2014, 2013, and 2012, respectively.

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

Additional investment securities information is included in Notes 5 and 14.

Results of Operations

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

For the year ended December 31	2014	2013	2012
Net income	$142,757	$135,110	$126,157
Return on average assets	2.2%	2.2%	2.2%
Return on average members' equity	11.7%	12.2%	12.5%

Changes in these ratios relate directly to:

- changes in income as discussed in the following section,
- changes in assets as discussed in the Loan Portfolio and Investment Securities sections, and
- changes in members' equity as discussed in the Capital Adequacy section.

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

For the year ended December 31	2014	2013	2012
Net interest income	$173,768	$168,525	$155,630
Reversal of (provision for) credit losses	2,689	3,947	(10,045)
Patronage income	27,964	29,017	26,005
Financially related services income	8,745	7,442	9,665
Fee income	12,998	16,145	16,876
Acquired property net income (loss)	3,485	(7,828)	(10,152)
Allocated insurance reserve accounts distribution	—	—	5,209
Miscellaneous income, net	550	1,142	1,146
Operating expenses	(79,524)	(79,114)	(70,748)
(Provision for) benefit from income taxes	(7,918)	(4,166)	2,571
Net income	$142,757	$135,110	$126,157

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

Increase (decrease) in net income	2014 vs. 2013	2013 vs. 2012
Net interest income	$5,243	$12,895
Reversal of (provision for) credit losses	(1,258)	13,992
Patronage income	(1,053)	3,012
Financially related services income	1,303	(2,223)
Fee income	(3,147)	(731)
Acquired property net income (loss)	11,313	2,324
Allocated insurance reserve accounts distribution	—	(5,209)
Miscellaneous income, net	(592)	(4)
Operating expenses	(410)	(8,366)
(Provision for) benefit from income taxes	(3,752)	(6,737)
Total change in net income	$7,647	$8,953

NET INTEREST INCOME

The following table quantifies changes in net interest income (in thousands):

	2014 vs. 2013	2013 vs. 2012
Changes in volume	$12,671	$17,907
Changes in rates	(8,680)	(4,186)
Changes in nonaccrual income and other	1,252	(826)
Net change	$5,243	$12,895

Net interest income included income on nonaccrual loans that totaled $2.1 million, $1.2 million, and $1.5 million in 2014, 2013, and 2012, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Interest expense was negatively impacted during 2014 due to an additional spread charged on a portion of our note payable with AgriBank. Refer to the Relationship with AgriBank section for additional discussion.

Net interest margin (net interest income as a percentage of average earning assets) was 2.8%, 2.9%, and 2.9% in 2014, 2013, and 2012, respectively. We expect margins to compress in the future if interest rates rise and competition increases.

(REVERSAL OF) PROVISION FOR CREDIT LOSSES

The recorded reversal of provision for loan losses during 2014 of $2.4 million was primarily due to improved credit quality. In addition, a $311 thousand credit loss reversal was recorded on unfunded loan commitments resulting in a total net provision reversal of $2.7 million. Refer to Note 3 for additional discussion.

PATRONAGE INCOME

We received patronage income based on the average balance of our note payable to AgriBank. AgriBank's Board of Directors sets the patronage rate. The patronage rates were 33.5 basis points, 34.5 basis points, and 32 basis points in 2014, 2013, and 2012, respectively. We recorded patronage income of $17.2 million, $17.2 million, and $14.5 million in 2014, 2013, and 2012, respectively.

Since 2008, we have participated in the AgriBank Asset Pool program in which we sell participation interests in certain real estate loans to AgriBank. As part of this program, we received patronage income in an amount that approximated the net earnings of the loans. Net earnings represents the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable. In addition, we received patronage income in an amount that approximated the wholesale patronage had we retained the volume. Patronage declared on these pools is solely at the discretion of the AgriBank Board of Directors. We recorded asset pool patronage income of $8.3 million, $10.5 million, and $10.9 million in 2014, 2013, and 2012, respectively. As part of this income in 2012, we received a $587 thousand share of the distribution from the Allocated Insurance Reserve Accounts (AIRA) related to the AgriBank Asset Pool program. These reserve accounts were established in previous years by the FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund above the required 2.0% of insured debt. No such distributions were received in 2014 or 2013.

We also received a partnership distribution resulting from our participation in the AgDirect trade credit financing program. The program is facilitated by another AgriBank District association through a limited liability partnership (AgDirect, LLP), in which we are a partial owner. AgriBank purchases a 100% participation interest in the program loans from AgDirect, LLP. Patronage distributions are declared solely at the discretion of the AgriBank Board of Directors and are paid to AgDirect, LLP, which in turn pays partnership distributions to the participating associations. We receive a partnership distribution in an amount that approximates our share of the net earnings of the loans in the program, adjusted for required return on capital and servicing and origination fees. We received a partnership distribution of $2.4 million, $1.3 million, and $508 thousand in 2014, 2013, and 2012, respectively.

NON-INTEREST INCOME

The change in non-interest income was primarily due to the following:

The decrease in fee income was primarily due to $1.3 million of loan fees earned in relation to an early payoff of a large Capital Markets relationship in 2013 and much lower loan conversion volume in 2014 compared to 2013.

The increase in financially related services income was primarily due to profit-sharing received in 2014 from crop insurance companies we work with.

The increase in acquired property net income (loss) was primarily due to the gain on the sale of a large timber property of $3.2 million recorded in 2014. In December of 2013, we recorded a write-down on the value of that property of $10.6 million.

OPERATING EXPENSES

The following presents a comparison of operating expenses by major category and the operating rate (operating expenses as a percentage of average earning assets) for the past three years (dollars in thousands):

For the year ended December 31	2014	2013	2012
Salaries and employee benefits	$51,320	$52,816	$47,712
Purchased and vendor services	3,641	3,624	3,558
Communications	1,515	1,500	1,422
Occupancy and equipment	7,454	7,156	6,905
Advertising and promotion	2,542	2,290	2,322
Examination	1,438	1,353	1,369
Farm Credit System insurance	6,244	4,949	2,285
Other	5,370	5,426	5,175
Total operating expenses	$79,524	$79,114	$70,748
Operating rate	1.3%	1.3%	1.3%

The increase in operating expenses from 2013 to 2014 was primarily related to an increase in Farm Credit System insurance premiums. FCSIC insurance expense increased in 2014 primarily due to an increase in the premium rate charged on accrual loans by FCSIC from 10 basis points in 2013 to 12 basis points in 2014.

PROVISION FOR (BENEFIT FROM) INCOME TAXES

The variance in provision for (benefit from) income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2014, 2013, and 2012. Refer to Note 9 for additional discussion.

Funding and Liquidity

FUNDING

We borrow from AgriBank under a note payable, in the form of a line of credit, as described in Note 7. The following table summarizes note payable information (dollars in thousands):

For the year ended December 31	2014	2013	2012
Average balance	$5,144,589	$4,974,420	$4,537,564
Average interest rate	1.6%	1.5%	1.7%

Our other source of lendable funds is from unallocated surplus. 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.

LIQUIDITY

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank. At December 31, 2014, we had $899.6 million available under our line of credit. We generally apply excess cash to this line of credit.

We have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $10.1 million, $11.0 million, and $11.8 million at December 31, 2014, 2013, and 2012, respectively. We paid Farmer Mac commitment fees totaling $55 thousand, $59 thousand, and $64 thousand in 2014, 2013, and 2012, respectively. These amounts are included in "Other operating expenses" in the Consolidated Statements of Income. As of December 31, 2014, no loans have been sold to Farmer Mac under this agreement.

Capital Adequacy

Total members' equity increased $107.1 million during 2014 primarily due to net income for the year partially offset by patronage distribution accruals.

Members' equity position information is as follows (dollars in thousands):

As of December 31	2014	2013	2012
Members' equity	$1,262,974	$1,155,912	$1,048,907
Surplus as a percentage of members' equity	98.3%	98.2%	98.1%
Permanent capital ratio	16.2%	14.7%	14.6%
Total surplus ratio	15.9%	14.3%	14.3%
Core surplus ratio	15.9%	14.3%	14.3%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

At December 31, 2014, our permanent capital, total surplus, and core surplus ratios exceeded the regulatory minimum requirements.

Additional discussion of these regulatory ratios is included in Note 8.

In addition to these regulatory requirements, we establish an optimum permanent capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2014, our optimum permanent capital target range was 13% to 18%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio and the Investment Securities sections for further discussion of the changes in assets. Additional members' equity information is included in Note 8.

Relationship with AgriBank

BORROWING

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 7, governs this lending relationship.

Cost of funds under the GFA 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, in the periods presented, we were not subject to the risk premium component.

The marginal cost of debt approach simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk.

INVESTMENT

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing previously distributed AgriBank surplus. Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million. In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment. On March 5, 2014, the AgriBank Board of Directors approved an amendment to the AgriBank capital plan which reduced the required base stock investment for all affiliated associations, including GreenStone Farm Credit Services, ACA from 2.5% to 2.25% effective March 31, 2014. As of December 31, 2014, we were required to maintain a stock investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. AgriBank's current bylaws allow AgriBank to increase the required investment to 4.0%. However, AgriBank currently has not communicated a plan to increase the required investment.

In addition, we are required to hold AgriBank stock equal to 8.0% of the quarter end balance in the AgriBank Asset Pool program as discussed in the Loan Portfolio section.

At December 31, 2014, $73.7 million of our investment in AgriBank consisted of stock representing distributed AgriBank surplus and $29.7 million consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

As an AgDirect, LLP partnering association, we are required to purchase stock in AgDirect which purchases an equivalent amount of stock in AgriBank. Specifically, the AgDirect trade credit financing program is required to own stock in AgriBank in the amount of 6.0% of the AgDirect program's outstanding participation loan balance at quarter end plus 6.0% of the expected balance to be originated during the following quarter.

PATRONAGE

We receive different types of discretionary patronage from AgriBank. AgriBank's Board of Directors sets the level of patronage for each of the following:

- patronage on the annual average daily balance of our note payable with AgriBank,
- patronage based on the balance and net earnings of loans in the AgriBank Asset Pool program, and
- partnership distribution based on our share of the net earnings of the loans in the AgDirect trade credit financing program, adjusted for required return on capital and servicing and origination fees.

Beginning in 2014, patronage income earned on our note payable with AgriBank was paid in cash. Patronage income for 2013 and 2012 on our note payable with AgriBank was paid in the form of cash and AgriBank stock.

PURCHASED SERVICES

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, and insurance services.

The total cost of services we purchased from AgriBank was $1.8 million in 2014, 2013, and 2012.

IMPACT ON MEMBERS' INVESTMENT

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of the AgriBank and the combined AgriBank and Affiliated Associations' financial reports 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*.

To request free copies of our Annual or Quarterly Reports contact us as stated above. Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter.

Other Relationships and Programs

RELATIONSHIPS WITH OTHER FARM CREDIT INSTITUTIONS

ProPartners Financial: We have an alliance with nine other Farm Credit association partners to provide producer financing for agribusiness companies under the trade name, ProPartners Financial (ProPartners). ProPartners is directed by representatives from participating associations and has employees in California, Illinois, Indiana, Kansas, Minnesota, North Dakota, Tennessee, and Washington. The income, expense, and loss sharing arrangements are based on each association's participation interest in ProPartners' volume. Each association's allocation was established according to a prescribed formula which included risk funds of the associations. We had $171.4 million, $150.3 million, and $128.6 million of ProPartners volume at December 31, 2014, 2013, and 2012, respectively. We also had $235.1 million of available commitment on ProPartners loans at December 31, 2014.

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows us to sell loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion of this agreement.

BGM Technology Collaboration: We participate in the BGM Technology Collaboration (BGM) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. BGM operations are governed by representatives of each participating association. The expenses of BGM are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

As the facilitating association, we provide various support functions for the operations of BGM. This includes support for technology, human resources, accounting, payroll, reporting, and other finance functions.

Farm Credit Leasing: We have a relationship with Farm Credit Leasing (FCL), a System entity specializing in leasing products and providing industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in some of the cash flows of the transactions.

Additionally, on January 2, 2014, we sold $26.3 million of lease volume to FCL.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $48 thousand, $30 thousand, and $17 thousand at December 31, 2014, 2013, and 2012, respectively. CoBank provides direct loan funds to associations in its chartered territory and makes loans to cooperatives and other eligible borrowers.

Farm Credit Services of America, ACA: We have a relationship with Farm Credit Services of America, ACA (FCS of America), an AgriBank District association, which involves purchasing or selling participation interests in loans. As part of this relationship, our equity investment in FCS of America was $1 thousand at December 31, 2014, 2013, and 2012.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations) which involves purchasing human resource information systems, benefit, payroll, and workforce management services. As of December 31, 2014, 2013, and 2012, our investment in Foundations was $59 thousand. The total cost of services we purchased from Foundations was $234 thousand, $226 thousand, and $223 thousand in 2014, 2013, and 2012, respectively.

UNINCORPORATED BUSINESS ENTITIES (UBES)

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $17.3 million, $16.4 million, and $13.7 million at December 31, 2014, 2013, and 2012, respectively.

PROGRAMS

We are involved in a number of programs designed to improve our credit delivery, related services, and marketplace presence.

Equipment Financing: We have entered into agreements with certain dealer networks to provide alternative service delivery channels to borrowers. These trade credit opportunities create more flexible and accessible financing options to borrowers through dealer point-of-purchase financing programs.

We participate in the AgDirect trade credit financing program. Refer to the Unincorporated Business Entities section for further discussion on this program.

AgriSolutions: We have an alliance with AgriSolutions, a farm software and consulting company, to provide farm records, income tax planning and preparation services, farm business consulting, and producer education seminars.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

Agriculture and Rural Community Bond Program: We participate in the Agriculture and Rural Community (ARC) Bond Program authorized during 2006 by the FCA in order to meet the changing needs of agriculture and rural America by making investments that support farmers, ranchers, agribusinesses, and their rural communities and businesses. The ARC Bond Program is part of our mission related investments. These investments will help to increase rural communities' and businesses' well-being and prosperity by providing an adequate flow of capital into rural areas. We had $557 thousand of volume under this program at December 31, 2012. We had no volume under this program at December 31, 2014 and 2013.

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.

REPORT OF MANAGEMENT

GREENSTONE FARM CREDIT SERVICES, ACA

We prepare the consolidated financial statements of GreenStone Farm Credit Services, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the consolidated financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report and it has been prepared in accordance with all applicable statutory or regulatory requirements and 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

March 11, 2015

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

GREENSTONE FARM CREDIT SERVICES, ACA

The GreenStone Farm Credit Services, ACA (the Association) 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, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and 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 December 31, 2014. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, 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 concluded that as of December 31, 2014, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2014.

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

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

March 11, 2015

REPORT OF AUDIT COMMITTEE

GREENSTONE FARM CREDIT SERVICES, ACA

The consolidated financial statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of GreenStone Farm Credit Services, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2014, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2014.

Eugene B. College
Chairperson of the Audit Committee
GreenStone Farm Credit Services, ACA

Andy Snider, Catherine L. Webster, and Christine M. Crumbaugh
Members of the Audit Committee

March 11, 2015

pwc

Independent Auditor's Report

To the Board of Directors of GreenStone Farm Credit Services, ACA,

We have audited the accompanying consolidated financial statements of GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, which comprise the consolidated statements of condition as of December 31, 2014, 2013 and 2012, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GreenStone Farm Credit Services, ACA and its subsidiaries at December 31, 2014, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 11, 2015

PricewaterhouseCoopers LLP, 225 South Sixth Street, Suite 1400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

CONSOLIDATED STATEMENTS OF CONDITION

GREENSTONE FARM CREDIT SERVICES, ACA
(In thousands)

As of December 31	2014	2013	2012
ASSETS			
Loans	$6,721,782	$6,249,883	$5,726,832
Allowance for loan losses	34,106	38,772	41,964
Net loans	6,687,676	6,211,111	5,684,868
Investment in AgriBank, FCB	103,368	157,945	151,615
Investment securities	25,661	32,233	40,757
Accrued interest receivable	47,645	43,327	38,015
Premises and equipment, net	34,526	33,342	30,764
Acquired property	1,904	12,751	31,928
Deferred tax assets, net	5,170	5,975	3,167
Other assets	40,386	44,530	46,955
Total assets	$6,946,336	$6,541,214	$6,028,069
LIABILITIES			
Note payable to AgriBank, FCB	$5,582,495	$5,296,022	$4,903,770
Accrued interest payable	21,324	20,108	19,721
Patronage distribution payable	36,200	29,000	26,495
Other liabilities	43,343	40,172	29,176
Total liabilities	5,683,362	5,385,302	4,979,162
Contingencies and commitments	—	—	—
MEMBERS' EQUITY			
Protected members' equity	2	3	3
Capital stock and participation certificates	21,105	20,614	19,742
Unallocated surplus	1,241,867	1,135,295	1,029,162
Total members' equity	1,262,974	1,155,912	1,048,907
Total liabilities and members' equity	$6,946,336	$6,541,214	$6,028,069

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

CONSOLIDATED STATEMENTS OF INCOME

GREENSTONE FARM CREDIT SERVICES, ACA
(In thousands)

For the year ended December 31	2014	2013	2012
Interest income	$258,253	$245,406	$234,493
Interest expense	84,485	76,881	78,863
NET INTEREST INCOME	173,768	168,525	155,630
(Reversal of) provision for credit losses	(2,689)	(3,947)	10,045
NET INTEREST INCOME AFTER (REVERSAL OF) PROVISION FOR CREDIT LOSSES	176,457	172,472	145,585
Non-interest income			
Patronage income	27,964	29,017	26,005
Financially related services income	8,745	7,442	9,665
Fee income	12,998	16,145	16,876
Acquired property net income (loss)	3,485	(7,828)	(10,152)
Allocated insurance reserve accounts distribution	—	—	5,209
Miscellaneous income, net	550	1,142	1,146
TOTAL NON-INTEREST INCOME	53,742	45,918	48,749
Operating expenses			
Salaries and employee benefits	51,320	52,816	47,712
Other operating expenses	28,204	26,298	23,036
TOTAL OPERATING EXPENSES	79,524	79,114	70,748
INCOME BEFORE INCOME TAXES	150,675	139,276	123,586
Provision for (benefit from) income taxes	7,918	4,166	(2,571)
NET INCOME	$142,757	$135,110	$126,157

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)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2011	$4	$18,512	$929,501	$948,017
Net income	—	—	126,157	126,157
Unallocated surplus designated for patronage distributions	—	—	(26,496)	(26,496)
Capital stock and participation certificates issued	—	2,682	—	2,682
Capital stock and participation certificates retired	(1)	(1,452)	—	(1,453)
Balance as of December 31, 2012	3	19,742	1,029,162	1,048,907
Net income	—	—	135,110	135,110
Unallocated surplus designated for patronage distributions	—	—	(28,977)	(28,977)
Capital stock and participation certificates issued	—	2,324	—	2,324
Capital stock and participation certificates retired	—	(1,452)	—	(1,452)
Balance as of December 31, 2013	3	20,614	1,135,295	1,155,912
Net income	—	—	142,757	142,757
Unallocated surplus designated for patronage distributions	—	—	(36,185)	(36,185)
Capital stock and participation certificates issued	—	1,931	—	1,931
Capital stock and participation certificates retired	(1)	(1,440)	—	(1,441)
Balance as of December 31, 2014	$2	$21,105	$1,241,867	$1,262,974

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

GREENSTONE FARM CREDIT SERVICES, ACA
(In thousands)

For the year ended December 31	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$142,757	$135,110	$126,157
Depreciation on premises and equipment	2,453	2,847	2,890
Depreciation on assets held for lease	—	803	1,013
Loss on sale of premises and equipment and assets held for lease	2	64	450
Amortization of premiums on loans and investment securities, net	976	986	970
(Reversal of) provision for credit losses	(2,689)	(3,947)	10,045
Stock patronage received from Farm Credit Institutions	(16,168)	(7,873)	(7,308)
Write-down on acquired property	463	12,033	9,600
Gain on acquired property	(4,077)	(1,526)	(404)
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	(12,860)	(14,626)	(7,081)
Decrease in other assets	3,184	1,407	225
Increase (decrease) in accrued interest payable	1,216	387	(964)
Increase (decrease) in other liabilities	3,171	10,996	(6,399)
Net cash provided by operating activities	118,428	136,661	129,194
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loans, net	(451,449)	(512,087)	(551,625)
Redemptions of investment in AgriBank, FCB, net	70,727	1,530	1,300
Purchases of investment in other Farm Credit Institutions, net	(845)	(2,773)	(5,445)
Decrease (increase) in investment securities, net	5,644	7,596	(7,824)
Changes in acquired property, net	1,362	8,938	20,177
Purchases of premises and equipment and assets held for lease, net	(1,011)	(5,296)	(4,757)
Net cash used in investing activities	(375,572)	(502,092)	(548,174)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in note payable to AgriBank, FCB, net	286,473	392,252	442,615
Patronage distributions paid	(28,985)	(26,472)	(23,314)
Capital stock and participation certificates retired, net	(344)	(349)	(321)
Net cash provided by financing activities	257,144	365,431	418,980
Net change in cash	—	—	—
Cash at beginning of year	7	7	7
Cash at end of year	$7	$7	$7
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES			
Stock financed by loan activities	$1,896	$2,273	$2,566
Stock applied against loan principal	1,054	1,046	1,008
Stock applied against interest	8	6	8
Interest transferred to loans	8,534	9,308	8,825
Loans transferred to acquired property	2,908	5,959	12,694
Qualified cash patronage distributions payable to members	36,200	29,000	26,495
Financed sales of acquired property	16,007	5,691	13,565
SUPPLEMENTAL INFORMATION			
Interest paid	$83,269	$76,494	$79,827
Taxes paid (refunded)	5,897	688	(114)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GREENSTONE FARM CREDIT SERVICES, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

FARM CREDIT SYSTEM AND DISTRICT

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2015, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and seventy-six customer-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System bank, and its affiliated associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2015, the District consisted of seventeen Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

ASSOCIATION

GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries) are lending institutions of the System. We are a member-owned cooperative providing credit and credit related services to, or for the benefit of, eligible members for qualified agricultural purposes in the state of Michigan and the counties of Brown, Door, Florence, Kewaunee, Manitowac, Marinette, Menominee, Oconto, Outagamie, Shawano, and Waupaca in the state of Wisconsin.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options. The ACA and PCA make short-term and intermediate-term loans and provide lease financing options for agricultural production or operating purposes. At this time, the ACA holds all short-term and intermediate-term loans and the PCA has no assets.

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer farm records, fee appraisals, and income tax planning and preparation services to our members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES AND REPORTING POLICIES

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements present the consolidated financial results of GreenStone Farm Credit Services, ACA and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

SIGNIFICANT ACCOUNTING POLICIES

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Material fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of other loan fees and related origination costs are not material to the consolidated financial statements taken as a whole.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or
- circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when:

- principal and interest are current,
- prior charge-offs have been recovered,
- the ability of the borrower to fulfill the contractual repayment terms is fully expected,
- the borrower has demonstrated payment performance, and
- the loan is not classified as doubtful or loss.

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 troubled debt restructurings are considered risk loans (as defined below).

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses in our loan 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.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- accruing restructured loans, and
- accruing loans 90 days or more past due.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consisted of provision activity, recorded in "(Reversal of) provision for credit losses" in the Consolidated Statements of Income, and recoveries and charge-offs.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Investment Securities: We are authorized to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through "Miscellaneous income, net" in the Consolidated Statements of Income in the period of impairment. The non-credit related component is recognized in other comprehensive income. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities. Realized gains and losses are determined using specific identification method and are recognized in current operations.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Miscellaneous income, net" in the Consolidated Statements of Income. Depreciation, maintenance, and repairs are included in "Other operating expenses" in the Consolidated Statements of Income, and improvements are capitalized.

Acquired Property: Acquired property, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in "Acquired property net income (loss)" in the Consolidated Statements of Income.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in "Salaries and employee benefits" in the Consolidated Statements of Income.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred. All employees hired after December 31, 2006, only participate in this plan.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Certain employees also participate in the defined benefit retirement plan of the District. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001 are on the cash balance formula or on the final average pay formula. New benefits eligible employees hired between October 1, 2001 and December 31, 2006 are on the cash balance formula. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the non-qualified defined benefit Pension Restoration Plan of the AgriBank District. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments is based on management's best estimate of losses inherent in these instruments but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management's assessment, any reserve is recorded in "Other liabilities" in the Consolidated Statements of Condition and a corresponding loss is recorded in "(Reversal of) provision for credit losses" in the Consolidated Statements of Income.

Statements of Cash Flows: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets,
- quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly,
- inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates, and
- inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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. In addition, no accounting pronouncements were adopted during 2014.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

	2014		2013		2012	
As of December 31	Amount	Percentage	Amount	Percentage	Amount	Percentage
Real estate mortgage	$3,985,716	59.3%	$3,709,470	59.4%	$3,301,886	57.6%
Production and intermediate term	2,001,441	29.8	1,907,963	30.5	1,820,234	31.8
Agribusiness	454,574	6.8	346,387	5.5	321,429	5.6
Other	280,051	4.1	286,063	4.6	283,283	5.0
Total	$6,721,782	100.0%	$6,249,883	100.0%	$5,726,832	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.

PORTFOLIO CONCENTRATIONS

We have individual borrower, agricultural, and territorial concentrations.

As of December 31, 2014, volume plus commitments to our ten largest borrowers totaled an amount equal to 5.0% of total loans and commitments.

Agricultural concentrations were as follows:

As of December 31	2014	2013	2012
Cash crops	22.9%	20.1%	20.0%
Dairy	22.4	22.4	22.9
Country home living	16.8	20.3	20.8
Agribusiness	4.3	3.8	4.7
Timber	4.2	4.6	3.5
Fruit	3.1	3.5	3.1
Livestock	3.1	2.9	3.1
Hogs	3.0	3.7	3.5
Greenhouse and nursery	2.3	2.5	2.8
Poultry	1.9	0.6	1.1
Potatoes	1.8	2.1	1.9
Sugar beets	1.7	1.7	1.6
Landlords	1.5	0.9	1.2
Vegetables	1.3	1.3	1.4
Grains and field beans	0.7	0.7	1.0
Broilers	0.5	1.5	2.3
Food products and distribution	0.5	0.8	0.8
Government guarantee	0.5	0.6	0.9
Non agribusiness	0.1	0.1	0.1
Other	7.4	5.9	3.3
Total	100.0%	100.0%	100.0%

We are chartered to operate throughout Michigan and in certain counties in Wisconsin. Our portfolio is fairly evenly distributed among the territory with no material concentrations in any one county. This is evidenced by there being no individual county representing greater than 5.0% of our total loan volume at December 31, 2014.

While these concentrations represent our maximum potential credit risk as it relates to recorded loan principal, a substantial portion of our lending activities are collateralized. This reduces our exposure to credit loss associated with our lending activities. We consider credit risk exposure in establishing the allowance for loan losses.

PARTICIPATIONS

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the FCA Regulations or General Financing Agreement (GFA) limitations. The following table presents information regarding participations purchased and sold (in thousands):

	AgriBank, FCB Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2014	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ —	$(310,737)	$186,601	$(62,669)	$127,277	$ —	$313,878	$(373,406)
Production and intermediate term	—	(31,359)	227,891	(79,089)	39,339	(9)	267,230	(110,457)
Agribusiness	—	(29,644)	236,048	(30,929)	20,000	—	256,048	(60,573)
Other	—	(10,967)	73,851	—	—	—	73,851	(10,967)
Total	$ —	$(382,707)	$724,391	$(172,687)	$186,616	$(9)	$911,007	$(555,403)
As of December 31, 2013								
Real estate mortgage	$ —	$(382,198)	$206,625	$(88,020)	$126,913	$—	$333,538	$(470,218)
Production and intermediate term	—	(21,050)	209,506	(57,765)	63,687	(13)	273,193	(78,828)
Agribusiness	—	(709)	178,428	(9,858)	—	—	178,428	(10,567)
Other	—	(12,033)	61,383	—	—	—	61,383	(12,033)
Total	$ —	$(415,990)	$655,942	$(155,643)	$190,600	$(13)	$846,542	$(571,646)
As of December 31, 2012								
Real estate mortgage	$ —	$(435,001)	$122,306	$(72,070)	$123,986	$ —	$246,292	$(507,071)
Production and intermediate term	—	(28,218)	208,134	(46,392)	142,520	(16)	350,654	(74,626)
Agribusiness	—	(788)	158,034	(9,921)	8,750	—	166,784	(10,709)
Other	—	(13,941)	60,836	—	—	—	60,836	(13,941)
Total	$ —	$(477,948)	$549,310	$(128,383)	$275,256	$(16)	$824,566	$(606,347)

Information in the preceding chart excludes loans entered into under our mission related investment authority.

CREDIT QUALITY AND DELINQUENCY

One credit quality indicator we utilize is the 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 December 31, 2014, 2013, or 2012.

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 December 31, 2014	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount
Real estate mortgage	$3,906,430	97.4%	$48,722	1.2%	$57,448	1.4%	$4,012,600
Production and intermediate term	1,970,074	97.5	8,104	0.4	41,877	2.1	2,020,055
Agribusiness	454,322	99.7	1,539	0.3	—	—	455,861
Other	266,740	95.1	3,892	1.4	9,931	3.5	280,563
Total	$6,597,566	97.5%	$62,257	0.9%	$109,256	1.6%	$6,769,079
As of December 31, 2013							
Real estate mortgage	$3,590,969	96.2%	$41,411	1.1%	$101,232	2.7%	$3,733,612
Production and intermediate term	1,854,047	96.3	14,014	0.7	57,080	3.0	1,925,141
Agribusiness	336,581	96.8	2,445	0.7	8,565	2.5	347,591
Other	270,650	94.5	4,585	1.6	11,289	3.9	286,524
Total	$6,052,247	96.2%	$62,455	1.0%	$178,166	2.8%	$6,292,868
As of December 31, 2012							
Real estate mortgage	$3,157,769	95.1%	$40,593	1.2%	$124,071	3.7%	$3,322,433
Production and intermediate term	1,760,390	95.8	8,304	0.5	67,169	3.7	1,835,863
Agribusiness	280,259	86.9	21,215	6.6	21,033	6.5	322,507
Other	265,838	93.7	4,457	1.6	13,414	4.7	283,709
Total	$5,464,256	94.8%	$74,569	1.3%	$225,687	3.9%	$5,764,512

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

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 Loans
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
As of December 31, 2013					
Real estate mortgage	$14,324	$9,503	$23,827	$3,709,785	$3,733,612
Production and intermediate term	6,422	1,287	7,709	1,917,432	1,925,141
Agribusiness	—	—	—	347,591	347,591
Other	4,403	700	5,103	281,421	286,524
Total	$25,149	$11,490	$36,639	$6,256,229	$6,292,868
As of December 31, 2012					
Real estate mortgage	$18,691	$7,158	$25,849	$3,296,584	$3,322,433
Production and intermediate term	5,742	2,495	8,237	1,827,626	1,835,863
Agribusiness	82	206	288	322,219	322,507
Other	4,293	1,866	6,159	277,550	283,709
Total	$28,808	$11,725	$40,533	$5,723,979	$5,764,512

There were no loans 90 days or more past due and still accruing interest at December 31, 2014, 2013, and 2012.

RISK LOANS

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

As of December 31	2014	2013	2012
Nonaccrual loans:			
Current	$36,080	$41,652	$47,928
Past due	11,473	16,233	22,176
Total nonaccrual loans	47,553	57,885	70,104
Accruing restructured loans	3,173	1,923	850
Total risk loans	$50,726	$59,808	$70,954
Volume with specific reserves	$33,272	$39,030	$45,517
Volume without specific reserves	17,454	20,778	25,437
Total risk loans	$50,726	$59,808	$70,954
Total specific reserves	$15,895	$17,168	$20,067
For the year ended December 31	**2014**	**2013**	**2012**
Income on accrual risk loans	$158	$75	$24
Income on nonaccrual loans	2,145	1,223	1,511
Total income on risk loans	$2,303	$1,298	$1,535
Average risk loans	$62,702	$65,841	$84,504

Nonaccrual loans decreased from $57.9 million at December 31, 2013 to $47.6 million at December 31, 2014. This $10.3 million decrease in nonaccrual volume was partially attributable to a large dairy relationship paid off in 2014 totaling $6.1 million at December 31, 2013 and the pay-down of $3.3 million of a livestock relationship during 2014. The remaining decrease was primarily due to a combination of additional pay-downs, transfers to acquired property, and improved credit quality. As of December 31, 2014, approximately 46% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 20% part-time farmers, 13% general crop and livestock farms, and 10% rural home loans.

Accruing restructured loans increased slightly during 2014 from $1.9 million as of December 31, 2013 to $3.2 million as of December 31, 2014. At December 31, 2014, 100% of our accruing restructured loans were current in their payment status.

To mitigate credit risk, we have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac). In the event of default, subject to certain conditions, we have the right to sell the loans identified in the agreement to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $10.1 million, $11.0 million, and $11.8 million at December 31, 2014, 2013, and 2012, respectively. Fees paid to Farmer Mac for these commitments totaled $55 thousand, $59 thousand, and $64 thousand in 2014, 2013, and 2012, respectively. These amounts are included in "Other operating expenses" in the Consolidated Statements of Income. As of December 31, 2014, no loans have been sold to Farmer Mac under this agreement.

Nonaccrual loans by loan type were as follows (in thousands):

As of December 31	2014	2013	2012
Real estate mortgage	$27,334	$31,863	$37,298
Production and intermediate term	16,112	21,387	26,850
Agribusiness	—	—	331
Other	4,107	4,635	5,625
Total	$47,553	$57,885	$70,104

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information (in thousands):

	As of December 31, 2014			For the year ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$18,506	$20,509	$7,793	$21,680	$ —
Production and intermediate term	12,008	14,176	7,140	14,543	—
Agribusiness	—	—	—	—	—
Other	2,758	3,317	962	3,057	—
Total	$33,272	$38,002	$15,895	$39,280	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$11,241	$26,197	$ —	$13,170	$987
Production and intermediate term	4,697	10,758	—	5,689	891
Agribusiness	—	59	—	2,882	314
Other	1,516	4,967	—	1,681	111
Total	$17,454	$41,981	$ —	$23,422	$2,303
Total impaired loans:					
Real estate mortgage	$29,747	$46,706	$7,793	$34,850	$987
Production and intermediate term	16,705	24,934	7,140	20,232	891
Agribusiness	—	59	—	2,882	314
Other	4,274	8,284	962	4,738	111
Total	$50,726	$79,983	$15,895	$62,702	$2,303

	As of December 31, 2013			For the year ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$21,993	$24,287	$7,943	$23,941	$ —
Production and intermediate term	14,514	16,185	8,410	15,868	—
Agribusiness	—	—	—	79	—
Other	2,523	3,201	815	2,936	—
Total	$39,030	$43,673	$17,168	$42,824	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$11,322	$27,039	$—	$12,327	$1,065
Production and intermediate term	7,344	14,843	—	8,029	99
Agribusiness	—	60	—	72	—
Other	2,112	6,139	—	2,589	134
Total	$20,778	$48,081	$—	$23,017	$1,298
Total impaired loans:					
Real estate mortgage	$33,315	$51,326	$7,943	$36,268	$1,065
Production and intermediate term	21,858	31,028	8,410	23,897	99
Agribusiness	—	60	—	151	—
Other	4,635	9,340	815	5,525	134
Total	$59,808	$91,754	$17,168	$65,841	$1,298

	As of December 31, 2012			For the year ended December 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$19,581	$24,486	$6,010	$23,753	$ —
Production and intermediate term	22,081	32,155	12,620	25,592	—
Agribusiness	283	298	232	212	—
Other	3,572	4,306	1,205	4,225	—
Total	$45,517	$61,245	$20,067	$53,782	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$18,441	$35,750	$ —	$22,376	$383
Production and intermediate term	4,894	16,174	—	5,643	407
Agribusiness	49	121	—	112	584
Other	2,053	5,452	—	2,591	161
Total	$25,437	$57,497	$ —	$30,722	$1,535
Total impaired loans:					
Real estate mortgage	$38,022	$60,236	$6,010	$46,129	$383
Production and intermediate term	26,975	48,329	12,620	31,235	407
Agribusiness	332	419	232	324	584
Other	5,625	9,758	1,205	6,816	161
Total	$70,954	$118,742	$20,067	$84,504	$1,535

The recorded investment in the loan is the face amount 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 of the investment.

Unpaid principal balance represents the contractual principal balance of the loan.

We had two relationships to lend additional money to borrowers whose loans were at risk at December 31, 2014. The balance of the unfunded loan commitments was $2.1 million. See the allowance for loan losses section in Note 3 for further discussion.

TROUBLED DEBT RESTRUCTURINGS

Included within our loans are troubled debt restructurings (TDRs). These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

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

For the year ended December 31	2014		2013		2012	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	$298	$299	$200	$194	$2,367	$2,362
Production and intermediate term	46	44	2,186	2,186	2,045	2,060
Other	94	104	—	—	—	—
Total	$438	$447	$2,386	$2,380	$4,412	$4,422

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 during 2014 were deferral of principal and extension of maturity.

The following table presents TDRs that defaulted during the year ended December 31 in which the modification date was within 12 months of the respective reporting period (in thousands):

	2014	2013	2012
Real estate mortgage	$—	$—	$764
Production and intermediate term	—	31	187
Other	104	—	—
Total	$104	$31	$951

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

As of December 31, 2014	TDRs in Accrual Status	TDRs in Nonaccrual Status	Total TDRs Outstanding
Real estate mortgage	$2,412	$1,366	$3,778
Production and intermediate term	594	346	940
Agribusiness	—	—	—
Other	167	254	421
Total	$3,173	$1,966	$5,139

As of December 31, 2013	TDRs in Accrual Status	TDRs in Nonaccrual Status	Total TDRs Outstanding
Real estate mortgage	$1,452	$2,728	$4,180
Production and intermediate term	471	899	1,370
Agribusiness	—	—	—
Other	—	374	374
Total	$1,923	$4,001	$5,924

As of December 31, 2012	TDRs in Accrual Status	TDRs in Nonaccrual Status	Total TDRs Outstanding
Real estate mortgage	$724	$3,178	$3,902
Production and intermediate term	126	1,755	1,881
Agribusiness	—	76	76
Other	—	310	310
Total	$850	$5,319	$6,169

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $3 thousand at December 31, 2014.

ALLOWANCE FOR LOAN LOSSES

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

For the year ended December 31	2014	2013	2012
Balance at beginning of year	$38,772	$41,964	$49,771
(Reversal of) provision for loan losses	(2,378)	(6,355)	10,045
Loan recoveries	738	7,218	2,406
Loan charge-offs	(3,026)	(4,055)	(20,258)
Balance at end of year	$34,106	$38,772	$41,964

The allowance for loan losses decreased $4.7 million from December 31, 2013 to December 31, 2014. The decrease in allowance for loan losses is primarily due to several large payments on adversely classified loans and improved credit quality. During 2014, a reversal of $2.4 million for provision for loan losses was recorded, as well as $2.3 million of net charge-offs.

The "(Reversal of) provision for credit losses" in the Consolidated Statements of Income included a reversal of $2.4 million for provision for loan losses as presented in the previous chart as well as a reversal of $311 thousand for provision for credit losses on unfunded loan commitments. 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 $2.1 million and $2.4 million as of December 31, 2014 and 2013. No credit losses of this nature were accrued as of December 31, 2012.

A summary of changes in the allowance for loan losses and period end recorded investments in loans by loan type (loans outstanding include accrued interest receivable) is as follows (in thousands):

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2013	$13,762	$20,204	$3,002	$1,804	$38,772
Provision for (reversal of) loan losses	67	(816)	(1,940)	311	(2,378)
Loan recoveries	191	383	2	162	738
Loan charge-offs	(1,451)	(1,093)	—	(482)	(3,026)
Balance as of December 31, 2014	$12,569	$18,678	$1,064	$1,795	$34,106
Ending balance: individually evaluated for impairment	$7,793	$7,140	$—	$962	$15,895
Ending balance: collectively evaluated for impairment	$4,776	$11,538	$1,064	$833	$18,211
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2014	$4,012,600	$2,020,055	$455,861	$280,563	$6,769,079
Ending balance: individually evaluated for impairment	$29,747	$16,705	$—	$4,274	$50,726
Ending balance: collectively evaluated for impairment	$3,982,853	$2,003,350	$455,861	$276,289	$6,718,353

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2012	$13,697	$18,607	$7,379	$2,281	$41,964
Provision for (reversal of) loan losses	769	(1,151)	(6,374)	401	(6,355)
Loan recoveries	1,334	3,735	2,022	127	7,218
Loan charge-offs	(2,038)	(987)	(25)	(1,005)	(4,055)
Balance as of December 31, 2013	$13,762	$20,204	$3,002	$1,804	$38,772
Ending balance: individually evaluated for impairment	$7,943	$8,410	$—	$815	$17,168
Ending balance: collectively evaluated for impairment	$5,819	$11,794	$3,002	$989	$21,604
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2013	$3,733,612	$1,925,141	$347,591	$286,524	$6,292,868
Ending balance: individually evaluated for impairment	$33,315	$21,858	$—	$4,635	$59,808
Ending balance: collectively evaluated for impairment	$3,700,297	$1,903,283	$347,591	$281,889	$6,233,060

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2011	$17,819	$28,661	$576	$2,715	$49,771
Provision for (reversal of) loan losses	4,782	(2,700)	6,796	1,167	10,045
Loan recoveries	1,600	794	9	3	2,406
Loan charge-offs	(10,504)	(8,148)	(2)	(1,604)	(20,258)
Balance as of December 31, 2012	$13,697	$18,607	$7,379	$2,281	$41,964
Ending balance: individually evaluated for impairment	$6,010	$12,620	$232	$1,205	$20,067
Ending balance: collectively evaluated for impairment	$7,687	$5,987	$7,147	$1,076	$21,897
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2012	$3,322,433	$1,835,863	$322,507	$283,709	$5,764,512
Ending balance: individually evaluated for impairment	$38,022	$26,975	$332	$5,625	$70,954
Ending balance: collectively evaluated for impairment	$3,284,411	$1,808,888	$322,175	$278,084	$5,693,558

ACQUIRED PROPERTY

Acquired property is real and personal property acquired through foreclosure or deed in lieu of foreclosure. Acquired property was $1.9 million, $12.8 million, and $31.9 million at December 31, 2014, 2013, and 2012, respectively. This improvement was primarily due to the sale of a large timber property during 2014 which had a book value of $10.0 million at December 31, 2013.

NOTE 4: INVESTMENT IN AGRIBANK

Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million. In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment. Additionally, effective March 31, 2014, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. Prior to March 31, 2014, the required investment was equal to 2.5%.

As of December 31, 2014, we were also required by AgriBank to maintain an investment equal to 8.0% of the quarter end balance of the participation interests in real estate loans sold to AgriBank under the AgriBank Asset Pool program.

The balance of our investment in AgriBank, all required stock, was $103.4 million, $157.9 million, and $151.6 million at December 31, 2014, 2013, and 2012, respectively.

NOTE 5: INVESTMENT SECURITIES

We held investment securities of $25.7 million, $32.2 million, and $40.8 million at December 31, 2014, 2013, and 2012, respectively. Our investment securities consisted of loans guaranteed by the Small Business Administration. The 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 December 31	2014	2013	2012
Amortized cost	$25,661	$32,233	$40,757
Unrealized gains	933	666	1,116
Fair value	$26,594	$32,899	$41,873
Weighted average yield	0.7%	1.3%	1.7%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $188 thousand, $458 thousand, and $707 thousand in 2014, 2013, and 2012, respectively.

NOTE 6: PREMISES AND EQUIPMENT

Premises and equipment consisted of the following (in thousands):

As of December 31	2014	2013	2012
Land, buildings, and improvements	$40,782	$37,965	$35,451
Furniture and equipment	17,809	17,027	21,732
Subtotal	58,591	54,992	57,183
Less: accumulated depreciation	24,065	21,650	26,419
Premises and equipment, net	$34,526	$33,342	$30,764

NOTE 7: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and our assets serve as collateral. The following table summarizes note payable information (dollars in thousands):

As of December 31	2014	2013	2012
Line of credit	$6,500,000	$6,000,000	$6,000,000
Outstanding principal under the line of credit	5,582,495	5,296,022	4,903,770
Interest rate	1.7%	1.5%	1.6%

Our note payable matured on January 31, 2015 and was renewed with an effective date of February 1, 2015 for $7.0 billion with a maturity date of January 31, 2016. The note will be renegotiated at that time. As discussed in Note 4, effective January 1, 2014, we agreed to pay an additional spread on a portion of our note payable in return for a reduction in our required investment in AgriBank.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. At December 31, 2014, and throughout the year, we were within the specified limitations and in compliance with all debt covenants.

NOTE 8: MEMBERS' EQUITY

CAPITALIZATION REQUIREMENTS

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

PROTECTION MECHANISMS

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988 as a requirement for obtaining a loan. If we were to be unable to retire protected borrower equity at par value or stated value, the FCSIC would provide the amounts needed to retire this equity.

REGULATORY CAPITALIZATION REQUIREMENTS

Under current capital adequacy regulations, we are required 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%. The calculation of these ratios in accordance with the FCA Regulations are discussed as follows:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2014, our ratio was 16.2%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At December 31, 2014, our ratio was 15.9%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any excess stock investment in AgriBank divided by average risk-adjusted assets. At December 31, 2014, our ratio was 15.9%.

Regulatory capital includes all of our investment in AgriBank that is in excess of the required investment under an allotment agreement with AgriBank. We had no excess stock at December 31, 2014, 2013, or 2012.

DESCRIPTION OF EQUITIES

The following table presents information regarding classes and number of shares of stock and participation certificates outstanding as of December 31, 2014. All shares and participation certificates are stated at a $5.00 par value.

	Shares Outstanding
Class A common stock (protected)	1
Class B common stock (at-risk)	3,733,893
Class E participation certificates (at-risk)	487,093
Class F participation certificates (protected)	352

Under our bylaws, we are also authorized to issue Class C and Class D common stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class B common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of the Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2014, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In accordance with our bylaws, in the event of our liquidation or dissolution, any assets remaining after payment or retirement of all liabilities shall be distributed pro rata to all holders of stock and participation certificates.

In the event of impairment, losses will be absorbed by concurrent impairment of all classes of stock and participation certificates; however, protected stock will be retired at par value regardless of impairment.

All classes of stock and participation certificates, except Class A common stock and Class F participation certificates are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

PATRONAGE DISTRIBUTIONS

We accrued patronage distributions of $36.2 million, $29.0 million, and $26.5 million at December 31, 2014, 2013, and 2012, respectively. The patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2015.

NOTE 9: INCOME TAXES

PROVISION FOR (BENEFIT FROM) INCOME TAXES

Our provision for (benefit from) income taxes follows (dollars in thousands):

For the year ended December 31	2014	2013	2012
Current:			
Federal	$6,031	$6,207	$(2,433)
State	1,082	767	323
Total current	7,113	6,974	(2,110)
Deferred:			
Federal	789	(2,713)	(349)
State	16	(95)	(112)
Total deferred	805	(2,808)	(461)
Provision for (benefit from) income taxes	$7,918	$4,166	$(2,571)
Effective tax rate	5.3%	3.0%	(2.1%)

The following table quantifies the differences between the provision for (benefit from) income taxes and income taxes at the statutory rates (in thousands):

For the year ended December 31	2014	2013	2012
Federal tax at statutory rates	$52,737	$48,618	$42,019
State tax, net	695	525	150
Patronage distributions	(2,566)	(5,425)	(4,546)
Effect of non-taxable entity	(43,187)	(38,794)	(38,811)
Other	239	(758)	(1,383)
Provision for (benefit from) income taxes	$7,918	$4,166	$(2,571)

DEFERRED INCOME TAXES

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition. Deferred tax assets and liabilities were composed of the following (in thousands):

As of December 31	2014	2013	2012
Allowance for loan losses	$7,745	$8,698	$9,544
Postretirement benefit accrual	985	1,017	1,042
Net operating loss carryforward	—	1,889	—
Accrued incentive	942	998	948
Acquired property reserve	—	753	—
Leasing related, net	—	(2,321)	(2,874)
Accrued patronage income not received	(649)	(912)	(801)
AgriBank 2002 allocated stock	(1,679)	(1,714)	(1,755)
Accrued pension asset	(1,560)	(1,544)	(1,678)
Depreciation	(386)	(593)	(916)
Other assets	208	164	151
Other liabilities	(436)	(460)	(494)
Deferred tax assets, net	$5,170	$5,975	$3,167
Gross deferred tax assets	$9,880	$13,519	$11,685
Gross deferred tax liabilities	$(4,710)	$(7,544)	$(8,518)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2014, 2013, or 2012.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $46.0 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $1.1 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2014. In addition, we believe we are no longer subject to income tax examinations for years prior to 2011.

NOTE 10: EMPLOYEE BENEFIT PLANS

PENSION AND POST-EMPLOYMENT BENEFIT PLANS

Complete financial information for the pension and post-employment benefit plans may be found in the Combined AgriBank and Affiliated Associations 2014 Annual Report (District financial statements).

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Coordinating Committee (a subset of the Plan Sponsor Committee comprised of AgriBank District representatives) is responsible for decisions regarding retirement benefits at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This Plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

As disclosed in the District financial statements, the defined benefit pension plan reflects an unfunded liability totaling $423.9 million at December 31, 2014. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The projected benefit obligation of the District-wide plan was $1.2 billion, $1.0 billion, and $1.1 billion at December 31, 2014, 2013, and 2012, respectively. The fair value of the plan assets was $811.1 million,

$759.5 million, and $640.1 million at December 31, 2014, 2013, and 2012, respectively. The accumulated benefit obligation, which is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation, exceeds pension plan assets. The accumulated benefit obligation for the District-wide plan was $1.1 billion, $864.2 million, and $908.2 million at December 31, 2014, 2013, and 2012, respectively. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Total plan expense for participating employers was $45.8 million, $63.3 million, and $52.7 million for 2014, 2013, and 2012, respectively. Our allocated share of plan expenses included in "Salaries and employee benefits" in the Consolidated Statements of Income was $4.4 million, $6.0 million, and $5.1 million for 2014, 2013, and 2012, respectively. The plan expense for participating employers in 2015 is expected to increase to levels more consistent with 2013 primarily due to changes in discount rate and mortality assumptions. Participating employers contributed $52.0 million, $59.0 million, and $51.3 million to the plan in 2014, 2013, and 2012, respectively. Our allocated share of these pension contributions was $4.9 million, $5.6 million, and $4.9 million for 2014, 2013, and 2012, respectively. Benefits paid to participants in the District were $42.6 million in 2014, none of which were paid to our senior officers who were actively employed during the year. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plans during 2015 is $57.9 million. Our allocated share of these pension contributions is expected to be $5.4 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Nonqualified Retirement Plan: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

As disclosed in the District financial statements, the Pension Restoration Plan reflects an unfunded liability totaling $27.7 million at December 31, 2014. This plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The projected benefit obligation of the Pension Restoration Plan was $27.7 million, $25.3 million, and $23.5 million at December 31, 2014, 2013, and 2012, respectively. The accumulated benefit obligation for the Pension Restoration Plan was $23.0 million, $19.8 million, and $17.5 million at December 31, 2014, 2013, and 2012, respectively. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. Total Pension Restoration Plan expense for participating employers was $3.7 million, $3.6 million, and $2.4 million for 2014, 2013, and 2012, respectively. Our allocated share of plan expenses included in "Salaries and employee benefits" in the Consolidated Statements of Income was $540 thousand, $467 thousand, and $331 thousand for 2014, 2013, and 2012, respectively. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions, equal to the benefits paid, were $258 thousand, for 2014, 2013, and 2012. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plan. The anticipated costs of these benefits are accrued during the period of the employee's active status. Postretirement benefit costs included in "Salaries and employee benefits" in the Consolidated Statements of Income were $51 thousand, $120 thousand, and $98 thousand for 2014, 2013, and 2012, respectively. Our cash contributions, equal to the benefits paid, were $153 thousand, $149 thousand, and $155 thousand for 2014, 2013, and 2012, respectively.

DEFINED CONTRIBUTION PLANS

We participate in a District-wide defined contribution retirement savings plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Employer contribution expenses for the retirement savings plans, included in "Salaries and employee benefits" in the Consolidated Statements of Income, were $2.0 million, $2.0 million, and $1.7 million in 2014, 2013, and 2012, respectively. These expenses were equal to our cash contributions for each year.

NOTE 11: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions are subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2014 involved more than a normal risk of collectability.

The following table presents information on loans and leases to related parties (in thousands):

As of December 31:	2014	2013	2012
Total related party loans and leases	$40,563	$36,862	$21,362
For the year ended December 31:	**2014**	**2013**	**2012**
Advances to related parties	$30,462	$37,675	$18,958
Repayments by related parties	51,751	41,226	21,752

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors. Advances and repayments to related parties at the end of each year are included in the preceding chart.

As discussed in Note 7, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio.

In addition, we purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, and insurance services. The total cost of services we purchased from AgriBank was $1.8 million in 2014, 2013, and 2012.

We also purchase human resource information systems, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). As of December 31, 2014, 2013, and 2012, our investment in Foundations was $59 thousand. The total cost of services purchased from Foundations was $234 thousand, $226 thousand, and $223 thousand in 2014, 2013, and 2012, respectively.

NOTE 12: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments 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 have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. At December 31, 2014, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $2.0 billion. Additionally, we had $17.9 million of issued standby letters of credit as of December 31, 2014.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies.

NOTE 13: 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 input levels that may be used to measure fair value. Refer to Note 2 for a more complete description of the three input levels.

We did not have any assets measured at fair value on a recurring basis at December 31, 2014, 2013, or 2012.

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 December 31, 2014

	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Loans	$ —	$10,157	$8,089	$18,246	$(1,753)
Acquired property	—	2,719	—	2,719	3,614
Unfunded loan commitments	—	—	(2,097)	(2,097)	311

As of December 31, 2013

	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Loans	$ —	$11,142	$11,812	$22,954	$(1,156)
Acquired property	—	2,369	11,335	13,704	(10,507)
Unfunded loan commitments	—	—	(2,408)	(2,408)	(2,408)

As of December 31, 2012

	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Loans	$ —	$14,125	$12,597	$26,722	$(14,427)
Acquired property	—	5,601	27,538	33,139	(9,196)
Unfunded loan commitments	—	—	—	—	—

VALUATION TECHNIQUES

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.

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.

Unfunded loan commitments: Estimating the fair value of unfunded loan commitments is determined by the inherent credit loss in such instruments.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all our financial instruments is as follows (in thousands):

As of December 31	2014 Carrying Amount	2014 Fair Value	2013 Carrying Amount	2013 Fair Value	2012 Carrying Amount	2012 Fair Value
Financial assets:						
Net loans	$6,687,676	$6,732,183	$6,211,111	$6,170,946	$5,684,868	$5,772,302
Investment securities	25,661	26,594	32,233	32,899	40,757	41,873
Financial liabilities:						
Note payable to AgriBank, FCB	$5,582,495	$5,608,786	$5,296,022	$5,249,887	$4,903,770	$4,963,933
Unfunded loan commitments	2,097	2,097	2,408	2,408	—	—
Unrecognized financial instruments:						
Commitments to extend credit and letters of credit	—	$(2,493)	—	$(2,318)	—	$(2,109)

Quoted market prices are generally not available for our financial instruments. Accordingly, we base fair values on:

- judgments regarding future expected losses,
- current economic conditions,
- risk characteristics of various financial instruments,
- credit risk, and
- other factors.

These estimates involve uncertainties, matters of judgment, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of our investment in AgriBank is not practical because the stock is not traded. As discussed in Notes 2 and 4, the investment is a requirement of borrowing from AgriBank.

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, for which it is practical to estimate that value, follows:

Net loans: Because no active market exists for our loans, fair value is estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made or repriced to borrowers with similar credit risk. In addition, loans are valued using the Farm Credit interest rate yield curve, prepayment rates, contractual loan information, credit classification, and collateral values. As the discount rates are based upon internal pricing mechanisms and other management estimates, management has no basis to determine whether the fair values presented would be indicative of the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of System borrowers, could render our portfolio less marketable outside the System.

For fair value of loans individually impaired, we assume collection will result only from the sale of the underlying collateral. Fair value is estimated to equal the total net realizable value of the underlying collateral.

Investment securities: If an active market exists, the fair value is based on currently quoted market prices. For those securities for which an active market does not exist, we estimate the fair value of these investments by discounting the expected future cash flows using current interest rates adjusted for credit risk.

Note payable to AgriBank: Estimating the fair value of the note payable to AgriBank is determined by segregating the note into pricing pools according to the types and terms of the underlying loans funded. We discount the estimated cash flows from these pools using the current rate charged by AgriBank for additional borrowings with similar characteristics.

Unfunded loan commitments: Estimating the fair value of unfunded loan commitments is determined by the inherent credit loss in such instruments.

Commitments to extend credit and letters of credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments.

NOTE 15: QUARTERLY FINANCIAL INFORMATION (Unaudited)

Quarterly consolidated results of operations for the years ended December 31, 2014, 2013, and 2012 follow (in thousands):

2014	First	Second	Third	Fourth	Total
Net interest income	$44,184	$43,834	$44,953	$40,797	$173,768
Reversal of (provision for) credit losses	3,826	1,478	(509)	(2,106)	2,689
Patronage income	6,756	6,528	6,432	8,248	27,964
Other expense, net	(14,433)	(15,731)	(12,990)	(10,592)	(53,746)
Provision for income taxes	(2,156)	(2,360)	(975)	(2,427)	(7,918)
Net income	$38,177	$33,749	$36,911	$33,920	$142,757

2013	First	Second	Third	Fourth	Total
Net interest income	$42,198	$42,873	$44,246	$39,208	$168,525
Reversal of (provision for) credit losses	1,280	1,312	2,050	(695)	3,947
Patronage income	6,151	5,877	5,850	11,139	29,017
Other expense, net	(13,840)	(15,202)	(12,158)	(21,013)	(62,213)
(Provision for) benefit from income taxes	(2,291)	(2,731)	(2,235)	3,091	(4,166)
Net income	$33,498	$32,129	$37,753	$31,730	$135,110

2012	First	Second	Third	Fourth	Total
Net interest income	$39,166	$39,419	$41,094	$35,951	$155,630
Reversal of (provision for) credit losses	1,762	1,401	(5,681)	(7,527)	(10,045)
Patronage income	5,304	6,207	5,240	9,254	26,005
Other expense, net	(11,355)	(7,704)	(20,150)	(8,795)	(48,004)
(Provision for) benefit from income taxes	(1,095)	(2,061)	3,948	1,779	2,571
Net income	$33,782	$37,262	$24,451	$30,662	$126,157

NOTE 16: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 11, 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 2014 consolidated financial statements or disclosures in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

DESCRIPTION OF BUSINESS

General information regarding the business is discussed in Note 1 of this Annual Report.

The description of significant business developments, if any, is discussed in the "Management's Discussion and Analysis" section of this Annual Report.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding our properties:

Location	Description	Usage
Adrian, MI	Owned by ACA	Branch Office
Allegan, MI	Owned by ACA	Branch Office
Alma, MI	Owned by ACA	Branch Office
Alpena, MI	Owned by ACA	Branch Office
Ann Arbor, MI	Owned by FLCA	Branch Office
Bad Axe, MI	Owned by ACA	Branch Office
Bay City, MI	Owned by ACA	Branch Office
Berrien Springs, MI	Owned by ACA	Branch Office
Cadillac, MI	Owned by FLCA	Branch Office
Caro, MI	Owned by ACA	Branch Office
Charlotte, MI	Leased	Branch Office
Clintonville, WI	Owned by FLCA	Branch Office
Coleman, WI	Owned by ACA	Branch Office
Concord, MI	Owned by FLCA	Branch Office
Corunna, MI	Owned by ACA	Branch Office
DePere, WI[1]	Owned by ACA	Held for Sale
West Rd, East Lansing, MI	Owned by ACA	Corporate
Abbey Rd, East Lansing, MI[2]	Owned by ACA	Leased to Tenant
Escanaba, MI	Leased	Branch Office
Grand Rapids, MI	Owned by ACA	Branch Office
Hart, MI	Leased	Branch Office
Hastings, MI	Owned by ACA	Branch Office
Hillsdale, MI	Owned by FLCA	Branch Office
Howell, MI	Leased	Branch Office
Ionia, MI	Owned jointly	Branch Office
Lakeview, MI	Owned by ACA	Branch Office
Lapeer, MI	Owned by ACA	Branch Office
Little Chute, WI	Owned by ACA	Branch Office
Manitowoc, WI	Leased	Branch Office
Mason, MI	Leased	Branch Office
Monroe, MI	Owned by ACA	Branch Office
Mt. Pleasant, MI	Owned by ACA	Branch Office
Saginaw, MI	Owned by ACA	Branch Office
Sandusky, MI	Owned by ACA	Branch Office
Schoolcraft, MI	Owned by ACA	Branch Office
St. Johns, MI	Owned by FLCA	Branch Office
Sturgeon Bay, WI	Leased	Branch Office
Traverse City, MI	Owned by FLCA	Branch Office

[1]Former branch office, currently held for sale.

[2]Former corporate office, currently occupied by a tenant on a long-term lease.

LEGAL PROCEEDINGS

Information regarding legal proceedings is discussed in Note 12 of this Annual Report. We were not subject to any enforcement actions as of December 31, 2014.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is discussed in Note 8 of this Annual Report.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is discussed in Notes 7, 8, 9, 10, 12, 13, and 14 of this Annual Report.

SELECTED FINANCIAL DATA

The "Consolidated Five-Year Summary of Selected Financial Data" is presented at the beginning of this Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the "Management's Discussion and Analysis" section of this Annual Report.

BOARD OF DIRECTORS

Information regarding directors who served as of December 31, 2014, including business experience in the last five years and any other business interest where a director serves on the Board of Directors or as a senior officer follows:

Scott A. Roggenbuck (Board Chair), Age 52; Huron County, Harbor Beach, Michigan. Board Executive Committee, Chair and Compensation Committee, Vice Chair. He is a life-long cash crop farmer and is President of Cedar Pond Farms, Inc. (grain and sugar beet operation), President of Cedar Pond Holdings, LLC (a family partnership owning farmland), President of Cedar Pond AgServices (custom farming and consulting), and is a Certified Crop Consultant. He is also Vice President of the Sugarbeet Advancement Committee and the REACh Committee (both committees provide research and education in the advancement of the production of sugar beets in Michigan). His term of office expires in 2016, and he has served on the board since 2007.

Edward L. Reed (Board Vice Chair), Age 52; Cass County, Marcellus, Michigan. Board Executive Committee, Vice Chair and Compensation Committee, Chair. He is a hog and grain producer, an electrical engineer, and serves as Past President on the Board of the Michigan Pork Producers Association. His term of office expires in 2018, and he has served on the board since 2008.

Matthew L. Berge, Age 38; Manitowoc County, Valders, Wisconsin. Board Finance Committee. He has been farming for 16 years. He farms in partnership with his family on their 875 cow dairy, Badger Pride Dairy, with 900 acres of cropland. He also partners in a heifer raising operation in northern Colorado, The Heifer Authority, LLC, with a current capacity of 7,000 dairy heifers. His term of office expires in 2015, and he has served on the board since 2013.

Laura A. Braun, Age 55; Clinton County, Ovid, Michigan. Board Legislative/ Public Policy Committee, Chair. She has been farming for 28 years. Laura farms in partnership with husband, Russell, Golden Maple Farms LLC, with 700 acres of cash crops including corn, soybeans, and wheat. They also manage 200 head of beef cattle. She is the owner of The Shepardsville Corner Store, LLC, a country grocery and convenience store with a bakery and deli featuring local produce in season and home-raised beef. She is also a director on the AgriBank District Farm Credit Council Board. Her term of office expires in 2015, and she has served on the board since 2012.

Wm. "Hank" Choate, Age 64; Jackson County, Cement City, Michigan. Board Finance Committee. Hank operates a dairy farm, Choate's Belly Acres, with 360 milking cows, 340 heifers, and farms 2,200 acres of alfalfa, corn, soybeans, and wheat. He has a family partnership, Liberty Centennial, LLC, with his brother Randy and his son Levi. In addition, Hank serves on the Michigan Milk Producers Association Board of Directors (a milk marketing cooperative owned by dairy farmers in Michigan, Indiana, Ohio, and Wisconsin) and is on the Liberty Township Planning Committee, the NorthStar Advisory Committee (a member farmer owned cooperative that enhances producers profitability through integrated services), the Michigan Farm Bureau Dairy Commodity Committee (considers and makes dairy policy recommendations for approval by its members), and is Chairman of the Jackson County Republican Party. His term of office expires in 2017, and he has served on the board since June 2014.

Eugene B. College, Age 69; Douglas County, Omaha, Nebraska. Appointed Director, Board Audit Committee, Chair. He retired in 2007 as Senior Vice President and Chief Financial Officer of Farm Credit Services of America, ACA. He has served on the board since 2009 and has been re-appointed to a three-year term that will expire in 2018.

Christine M. Crumbaugh, Age 45; Gratiot County, St. Louis, Michigan. Board Audit Committee. She has been farming for 19 years. Her family operates a 3,000 acre cash crop farm raising sugar beets, corn, soybeans, and wheat. Christine is personally responsible for managing the accounting and finance; human resources and payroll; field recordkeeping; crop marketing; crop insurance; and FSA matters among other things on her family farm, Crumbaugh Legacy, Inc. She was appointed as a NRC Commissioner by Governor Rick Snyder of Michigan effective January 2015. Her term of office expires in 2015, and she has served on the board since 2012.

Thomas R. Durand, Age 60; Sanilac County, Croswell, Michigan. Board Legislative/Public Policy Committee. He has been farming for 39 years. Currently farms 1,100 acres consisting of sugar beets, dry beans, wheat, corn, and soybeans. His term of office expires in 2016, and he has served on the board since 2013.

Darl E. Evers, Age 71; Allegan County, Martin, Michigan. Board Executive and Compensation Committees. He is a life-long farmer. In the past he raised broilers, feeder cattle, and was a dairyman. He currently has Holstein heifers at one farm and is raising turkeys at another. His term of office expires in 2018, and he has served on the board since 1990.

Bruce E. Lewis, Age 49; Hillsdale County, Jonesville, Michigan. Board Executive and Compensation Committees. He has farmed for over 28 years and currently has a 600 cow dairy, raising replacement heifers and steers, and farms 2,200 acres growing corn, alfalfa, soybeans, and wheat. His term of office expires in 2017, and he has served on the board since 2011.

Ronald W. Lucas, Age 58; Alpena County, Posen, Michigan. Board Finance Committee, Vice Chair. He has been farming for 34 years. He is a dairy farmer with over 500 head of cattle. In addition, he is the Township Supervisor for Wellington Township. His term of office expires in 2016, and he has served on the board since 2013.

Dennis C. Muchmore, Age 68; Shiawassee County, Laingsburg, Michigan, Appointed Director, Board Legislative/Public Policy Committee. For the past four years he has been Chief of Staff for Michigan Governor Rick Snyder. He is a partner in TOMDEN Enterprises, LLC (investments). He is a founder of Muchmore Harrington Smalley & Associates and formerly the Executive Vice President of DHR International, the fifth largest executive search firm in the nation. In addition, Dennis is a board member of the Michigan Livestock Exhibition (non-profit to generate funding for youth scholarships through annual livestock shows and auctions). He has served on the board since 2002 and has been re-appointed to a three-year term that will expire in 2017.

Gilbert E. Ritter, Age 64; Saginaw County, Saginaw, Michigan. Board Finance Committee, Chair. He is a life-long owner of a cash-crop farm. His term of office expires in 2016, and he has served on the board since 1991.

Aaron "Andy" Snider, Age 52; Oceana County, Hart, Michigan. Board Audit Committee, Vice Chair. He has been farming for 34 years and currently operates Snider Farms, LLC and Snider RE, LLC along with his son, Zack. They produce 170,000 tom turkeys per year; 15,700 weaner pigs; 2,150 acres of corn; 350 acres of soybeans; and 50 acres of rye. They also manage the waste water for a large local fruit processor as well as some custom planting and harvesting. In addition, Andy serves on the Michigan Turkey Producers Cooperative Board of Directors, is on the Land-O-Lakes Cooperative Region IV Executive Council and their Policy and Resolutions Committee, and serves on the Michigan Allied Poultry Industries Board of Directors (represents Michigan layers, broilers, and turkeys). His term of office expires in 2015, and he has served on the board since 2012.

Dale L. Wagner, Age 55; Manitowoc County, Manitowoc, Wisconsin. Board Legislative/Public Policy Committee, Vice Chair. He also represents GreenStone on the Wisconsin Farm Credit Legislative Committee. He has been farming with his wife for 28 years, Twin Elm Family Farm LLC. Their farm was purchased in 1986 when they were milking 40 cows and owned 57 acres. They currently have 280 cows, own 480 acres, and rent another 600 acres. He and his son also own a custom cropping enterprise, Union 151 LLC. His term of office expires in 2015, and he has served on the board since 2012.

Catherine L. Webster, Age 70; Clinton County, Elsie, Michigan. Board Audit Committee. She was a dairy/crop farmer for 42 years. Her term of office expires in 2015, and she has served on the board since 1992.

In 2014, the Board Chairperson and Chairperson of the Audit Committee received annual retainer fees of $27,000 each and the Board Vice Chairperson received $25,000. The remaining Board members received an annual retainer fee of $23,000. All board members also received a $600 computer allowance prorated based on the number of months served during the current year. The retainer fees are paid quarterly. In 2014, the Board members did not receive compensation for individual Board or regular committee meetings attended.

Information regarding compensation paid to each director who served during 2014 follows:

	Number of Days Served		
	Board Meetings	Other Official Activities	Total Compensation Paid in 2014
Matthew L. Berge	5	12	$23,600
Laura A. Braun	5	20	23,600
Wm. "Hank" Choate[1]	3	5	12,621
Eugene B. College	5	16	27,600
Christine M. Crumbaugh	5	18	23,600
Thomas R. Durand	5	6	23,600
Darl E. Evers	5	12	23,600
Bruce E. Lewis	5	8	23,600
Ronald W. Lucas	5	22	23,600
Dennis C. Muchmore	5	6	23,600
Edward L. Reed	5	11	25,600
Gilbert E. Ritter	5	10	23,600
Scott A. Roggenbuck	5	21	27,600
Aaron "Andy" Snider	5	20	23,600
William J. Stutzman[2]	1	8	5,750
Dale L. Wagner	5	17	23,600
Catherine L. Webster	5	19	23,600
			$382,371

[1]Newly elected director
[2]Did not run for re-election

SENIOR OFFICERS

The senior officers include:

David B. Armstrong
Chief Executive Officer

Paul E. Anderson
Executive Vice President – Chief Credit Officer

Travis D. Jones, CPA
Executive Vice President – Chief Financial Officer

Stephen A. Junglas
Executive Vice President – Chief Information Officer and Chief Security Officer

Peter L. Lemmer
Executive Vice President – Chief Legal Counsel

Bethany L. Barker, SPHR
Executive Vice President – Chief Human Resources Officer

Melissa A. Stolicker, CPA
Executive Vice President – Chief Internal Auditor

Randy L. Stec,
Executive Vice President – Chief Sales and Marketing Officer

David B. Armstrong was promoted as Chief Executive Officer (CEO) in January 2009. Paul E. Anderson was promoted as Chief Credit Officer in November 2009, prior to that he served as the Vice President of Credit since 2006. Travis D. Jones was hired as Chief Financial Officer in 2007. Stephen A. Junglas was promoted to Chief Information Officer in 2012, prior to that he served as the Information Services Director since 2006. Peter L. Lemmer was hired as Chief Legal Counsel in 2008. Bethany L. Barker has been in her position since April 1998. Melissa A. Stolicker has been in her position since August 2004. Randy L. Stec was promoted to Chief Sales and Marketing Officer in March 2014, prior to that he served as the Senior Vice President of Sales from 2012 and from 2000 to 2012 served as the Regional Vice President of the East Region.

Other business interests where a senior officer served as a board of director or senior officer include:

David B. Armstrong serves on the executive committee of the Michigan Economic Development Corporation (it promotes economic development within the state of Michigan). He also serves as a board member and Treasurer for the Michigan Livestock Exhibition (non-profit to generate funding for youth scholarships through annual livestock shows and auctions), as a board member of the Great Lakes Leadership Academy within the College of Agriculture and Natural Resources at Michigan State University (the academy provides leadership development), and as a board member of the Farm Credit System Association Captive Insurance Company (a privately-held insurance association that is owned by the System).

Paul E. Anderson serves as a board member for Michigan Strategic Fund (it promotes economic development and job creation in Michigan).

Travis D. Jones serves as a board member for Michigan Finance Authority (offers effective low-cost financing to public and private agencies providing essential services to the citizens of Michigan).

Stephen A. Junglas serves as a board member for Ingham County Intermediate School District-Computer Science Academy (advisory board to assist with curriculum, marketing plans, and general advice for Ingham County Public School systems).

Peter L. Lemmer is the Commissioner for Michigan Community Service Commission (Michigan state agency that leads the state in volunteer activities to strengthen Michigan communities).

Melissa A. Stolicker serves as a member of the Board of Trustees for Oakland University (major public university in Michigan offering bachelor's and graduate degrees).

Information related to compensation paid to senior officers is provided in our Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at our office.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is discussed in Note 11 of this Annual Report.

TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting 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*.

The total directors' travel, subsistence, and other related expenses were $139 thousand, $142 thousand, and $138 thousand in 2014, 2013, and 2012, respectively.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2015 or at any time during 2014.

MEMBER PRIVACY

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our association or our members not normally contained in published reports or press releases.

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2014 were $120 thousand. The fees paid were for audit services.

FINANCIAL STATEMENTS

The "Report of Management", "Report on Internal Control Over Financial Reporting", "Report of Audit Committee", "Independent Auditor's Report", "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the Annual Report.

CREDIT AND SERVICES TO YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

EQUAL EMPLOYMENT OPPORTUNITY

We are an equal opportunity employer. It is our policy to provide equal employment opportunity to all persons regardless of race, color, religion, national origin, sex, age, disability, veteran status, genetic information, or any other characteristic protected by law. We comply with all state and local equal employment opportunity regulations. We conduct all personnel decisions and processes relating to our employees and job applicants in an environment free of discrimination and harassment.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of young, beginning, and small farmers and ranchers as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made,
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less of experience at farming, ranching, or producing or harvesting aquatic products as of the date the loan was originally made, and
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than $250,000 in annual gross sales of agricultural or aquatic products.

YOUNG, BEGINNING, AND SMALL FARMER DEMOGRAPHICS

The local service area of the association includes the entire state of Michigan and 11 counties in the northeastern part of the state of Wisconsin. Results from the 2012 Census of Agriculture became available in May 2014 and were studied to try and determine the numbers of YBS farmers within our territory.

This most recent Agricultural Census represents the best demographic information available in our territory. Results of this study show the following:

Category	Number	Percent
Number of Farmers 34 and Younger	6,650	10.9%
Number of Farmers on Current Farm Less Than 10 Years	14,291	23.3%
Number of Farmers with Less Than $250,000 Farm Sales	53,987	88.2%
Total Number of YBS Farmers	61,218	

There are several differences in the methods by which the demographic and FCA YBS farmer data is presented:

Young farmers are defined by the FCA as 35 years old or less. The United States Department of Agriculture (USDA) demographic stratification breaks at 34 years. Beginning farmers are defined by the FCA as having 10 years or less farming experience. There is no measurement matching this definition in the USDA Census; however, the census does identify farmers on their current farm less than 10 years. That statistic may include beginning farmers, but may also include experienced farmers who have recently changed farmsteads. The FCA small farmer definition matches closely with the USDA delineation. The USDA Census of Agriculture is the best source of demographic information within the association local service area. Even though the statistical results of the census do not match the FCA definitions exactly, they do provide a consistent source of measurement with which to assess association targets and goals.

DESCRIPTION AND STATUS REPORT ON THE YOUNG, BEGINNING, AND SMALL FARMER PROGRAM

The mission statement of the program is as follows:

"GreenStone Farm Credit Services recognizes the importance of young, beginning, and small farmers to the future of agriculture. The association shall serve the unique needs of this market segment through special lending programs that extend credit in a safe and sound manner for both the individual member and the association. GreenStone also believes in the value of education to prepare these producers to successfully compete in a highly competitive global marketplace and shall support educational opportunities for them that balance the cost of delivery with overall stockholder value."

The association implemented a board approved YBS lending program comprised of separate components for YBS farmers. Relaxed underwriting standards and loan terms have been approved for farm operating loans, farm equipment and intermediate-term loans, and for real estate loans. These standards and terms are customized for young farmers and beginning farmers.

Quantitative targets based upon reasonably reliable demographic data have been established by board policy for YBS farmers. Targets have also been established for the YBS program in an aggregate. The targets are as follows:

Quantitative Targets	Measure	At 12/31/2014
1. Young farmers in portfolio equal to or greater than percentage of young farmers in the census	10.9%	20.3%
2. Young farmer loans at least 50% of the young farmers in census	50.0%	89.2%
3. Young farmers at least 10% total outstanding loan volume	10.0%	16.3%
4. Young farmers at least 10% of all new loans (number)	10.0%	16.3%
5. Beginning farmers at least 10% total number of loans outstanding	10.0%	28.5%
6. Beginning farmers at least 10% of total outstanding loan volume	10.0%	19.5%
7. Beginning farmers at least 10% of all new loans (number)	10.0%	19.8%
8. Small farmers at least 40% of total number of loans outstanding	40.0%	49.8%
9. Small farmers at least 20% of total outstanding loan volume	20.0%	22.6%
10. Small farmers at least 40% of all new loans (number)	40.0%	38.5%
11. Maintain at least 50% of total loan numbers to YBS farmers	50.0%	60.4%
12. Maintain at least 30% of the total outstanding loan volume to YBS farmers	30.0%	35.4%

The association has also established certain qualitative goals addressing its efforts and to implement effective outreach programs to attract YBS farmers. These goals are as follows:

Qualitative Goals	Measure	At 12/31/2014
1. Related services will be offered to YBS farmers in the territory.		
Goals: Book sales of at least one association offered related service to at least 5% of YBS farmers in the association portfolio.	5% Young 5% Beginning 5% Small	6.8% 6.5% 13.8%
2. Credit services and financially related services to YBS farmers will be coordinated with governmental and private sources of credit.		
Goals: Coordinate with the USDA Farm Service Agency (FSA) to enhance credit services to young and beginning farmers by obtaining guarantees on at least 7.5% loans (by number) and to take advantage of the FSA young farmer financing program utilizing private second mortgage financing or other alternative financing options whenever possible.	7.5% Young 7.5% Beg.	6.9% 3.9%
3. We will implement effective outreach programs to attract YBS farmers.		
Goals: (a) Participate in or sponsor annually at least 10 YBS farmer leadership and educational programs offered in either Michigan or Wisconsin.	10 Programs	31 Programs sponsored
(b) Offer at least five individual scholarships to deserving YBS farmers (or potential YBS farmers) to Michigan and/or Wisconsin Universities or Colleges.	5 Scholarships	9 Scholarships offered

All of the association's quantitative and qualitative goals were met in 2014 with the following exceptions: at least 40% of all new loans by number for small farmers and the use of FSA guarantees on young and beginning farmer loans. GreenStone FCS would have met the 40% requirement of all new loans if we excluded the ProPartner Financial loans. (Originated loans within territory was 48%; ProPartner Financial originated loans was 32%). The stability of the agricultural economy and lower interest rates reduced the necessity to obtain FSA guarantees on our young and beginning farmer loans.

The association employs the following methods and strategies to ensure that credit and services offered to YBS farmers are provided in a safe and sound manner and within risk-bearing capacity:

- Board policy includes a specific section discussing program safety and soundness under its operating parameters;
- Board policy includes a maximum level of risk for YBS adverse volume originated under the program;
- The association internal audit plan requires periodic auditing of the YBS program, which is done annually in conjunction with the internal credit review. In addition, comprehensive reports are written periodically, the most recent report was as of December 31, 2009; and
- The association internal audit and loan review plan will annually include a selection of YBS loans within its normal selection criteria and assess individual loan credit administration, coding, and loan quality.

FUNDS HELD PROGRAM

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

The Association offers a Funds Held Program ("Funds Held") that provides funds for customers to make advance payments on designated real estate, operating, and intermediate-term loans, pay insurance premiums, taxes, or any other eligible purpose.

PAYMENT APPLICATION: Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due.

ACCOUNT MAXIMUM: The amount in Funds Held may not exceed the unpaid principal balance of the loan.

INTEREST RATE: Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan.

Funds Held on real estate loans, operating loans, and intermediate-term loans are paid at a rate of interest equal to 3% (300 basis points) less than the loan rate.

WITHDRAWALS: Money in Funds Held may be withdrawn for the following items: Customers with real estate loans, operating loans, and intermediate-term loans may use funds for future installments, insurance premiums, or real estate taxes on collateral for the respective loan. Customers may make withdrawals for other approved purposes in lieu of increasing the loan amount for any eligible loan purpose.

ASSOCIATION OPTIONS: In the event of default on any loan, if Funds Held exceeds the maximum limit as established above or if the Association discontinues their Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due and shall return any excess funds to the customer.

UNINSURED ACCOUNT: Funds Held is not a depository account and is not insured. In the event of the Association's liquidation, customers having balances in Funds Held shall be notified according to the FCA regulations.

36 BRANCH

LOCATIONS PROVIDING YOU WITH THE TOOLS NEEDED TO GROW

Corporate Office
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3515 West Rd., E. Lansing, MI 48823

Michigan
Adrian / 517-263-9798
5285 West US 223, Adrian, MI 49221

Allegan / 269-673-5541
1517 M-40 North, Allegan, MI 49010

Alma / 989-463-3146
1655 Wright Ave., Alma, MI 48801

Alpena / 989-354-4343
2200 M-32 West, Alpena, MI 49707

Ann Arbor / 734-769-2411
3645 Jackson Rd., Ann Arbor, MI 48103

Bad Axe / 989-269-7232
749 S. Van Dyke St., Bad Axe, MI 48413

Bay City / 989-686-5100
3949 S. Three Mile Rd., Bay City, MI 48706

Berrien Springs / 269-471-9329
8302 Edgewood Rd.,
Berrien Springs, MI 49103

Cadillac / 231-775-1361
7597 S. Mackinaw Trail, Cadillac, MI 49601

Caro / 989-673-6128
1570 Cleaver Rd., Caro, MI 48723

Charlotte / 517-543-1360
722 W. Lawrence Ave., Charlotte, MI 48813

Concord / 517-524-6670
100 Spring St., Concord, MI 49237

Corunna / 989-743-5606
704 W. Corunna Ave., Corunna, MI 48817

Escanaba / 906-786-4487
1801 North Lincoln Rd., Suite A,
Escanaba, MI 49829

Grand Rapids / 616-647-0030
3225 Walker Ave. NW,
Grand Rapids, MI 49544

Hart / 231-873-7102
3486 W. Polk Rd., Hart, MI 49420

Hastings / 269-945-9415
333 West State Street, Hastings MI, 49058

Hillsdale / 517-437-3336
3200 Carleton Rd., Hillsdale, MI 49242

Howell / 517-546-2840
1040 W. Highland, Howell, MI 48843

Ionia / 616-527-1930
1962 S. State Rd., Ionia, MI 48846

Lakeview / 989-352-7203
8897 W. Tamarack Rd., Lakeview, MI 48850

Lapeer / 810-664-5951
455 Lake Nepessing Rd., Lapeer, MI 48446

Mason / 517-676-1086
525 N. Okemos Street, Mason, MI 48854

Monroe / 734-243-6711
15615 S. Telegraph Rd.,
Monroe, MI 48161

Mt. Pleasant / 989-773-5175
1075 N. Mission St., Mt. Pleasant, MI 48858

Saginaw / 989-781-4251
11020 Gratiot, Saginaw, MI 48609

Sandusky / 810-648-2600
100 S. Elk St., Sandusky, MI 48471

Schoolcraft / 269-679-5296
225 W. Lyon St., Schoolcraft, MI 49087

St. Johns / 989-224-9321
1104 South US 27, St. Johns, MI 48879

Traverse City / 231-946-5710
3491 Hartman Rd. Suite A,
Traverse City, MI 49685

Wisconsin
Clintonville / 715-823-2128
300 South Main St., Clintonville, WI 54929

Coleman / 920-897-4046
202 Sado Lane, Coleman, WI 54112

Little Chute / 920-687-4450
340 Patriot Drive, Little Chute, WI 54140

Manitowoc / 920-682-5792
4400 Calumet Ave., Suite 102,
Manitowoc, WI 54220

Sturgeon Bay / 920-743-8150
3030 Park Drive, Suite B,
Sturgeon Bay, WI 54235

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