GreenStone Farm Credit Services, ACA

Quarterly Report
September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in GreenStone Farm Credit Services, ACA. To request free copies of the AgriBank and combined AgriBank and affiliated Associations' financial reports or additional copies of our report, contact us at:

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FORWARD-LOOKING INFORMATION

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

AGRICULTURAL AND ECONOMIC CONDITIONS

The U.S. economy expanded 3.9% in the second quarter of 2015 according to the Bureau of Economic Analysis's third estimate. This upward revision is a result of personal consumption and non-residential fixed investment increasing faster than originally estimated. The U.S. economy in the second quarter continued to expand at an above trend pace, and whether or not it will continue to do so in the third quarter remains to be seen.

The September Employment Report, with payroll employment increasing by 142,000, was well below the consensus of 203,000. The prior two months were revised lower by 59,000 jobs, highlighting that weakness in August was not a one-off occurrence. The unemployment rate remained unchanged at a level of 5.1% and wage growth remained stagnant at 1.9%. While September's report helped make an October Federal Funds target rate hike unnecessary, a December rate increase remains possible barring any further deterioration in labor market data.

The Consumer Price Index (CPI) softened in August as headline consumer prices rose 0.2% year over year, but fell 0.1% during the month. Core CPI inflation maintained 1.8% annual growth, although it only increased by 0.1% in August as prices moderated broadly. Gasoline and energy prices continued to drag on the overall number, with gasoline prices down 4.1% and overall energy down 2.0% for the month of August. The Federal Reserve lowered its inflation expectations as low commodity prices and a strong dollar continue to depress inflationary pressures.

The Federal Open Market Committee (FOMC) left rates unchanged in October, and indicated in its policy statement that it will wait to see the impacts of global market and economic volatility before moving rates. References to the economic situation in the U.S. were relatively unchanged, although the September statement noted that economic activity may be restrained somewhat by global economic and financial developments and that further appreciation of the dollar is likely to put further downward pressure on inflation.

The economies of both Michigan and Wisconsin reported year over year job growth in August as Michigan added 103,800 jobs and Wisconsin added 55,900 jobs compared to August 2014. Profitability in the automotive industry continues to benefit the local economy. U.S. auto sales rose to a seasonally adjusted annual rate of 18.2 million in September, the highest in more than 10 years. Local housing markets continue to demonstrate positive momentum in both Michigan and Wisconsin. Single family building permits as measured by the National Association of Home Builders were up 11% year over year in Michigan compared to a gain of 16% in Wisconsin.

Corn production is forecast at 13.6 billion bushels, down 4% from last year's record production and down less than 1% from the August estimate based on the United States Department of Agriculture's (USDA's) most recent report. Based on conditions as of September 1, 2015, yields are expected to average 167.5 bushels per acre, down 3.5 bushels from 2014. If realized, this will be the second highest yield and third largest production on record for the U.S. Area

harvested for grain is forecast at 81.1 million acres, down 2% from 2014. Soybean production is forecast at 3.9 billion bushels, up slightly from August but down 1% from last year. Based on conditions as of September 1, 2015, yields are expected to average 47.1 bushels per acre, down 0.7 bushel from last year. Area for harvest in the U.S. is forecast at a record 83.5 million acres, unchanged from August but up less than 1% from 2014.

USDA reduced its forecast of third quarter pork production slightly by trimming expected slaughter numbers and average hog dressed weights. Third quarter pork production is expected to be just shy of 6 billion pounds, which is more than 9% above a year earlier when losses from Porcine Epidemic Diarrhea (PEDv) had significantly reduced available hog supplies. The U.S. is expected to export almost 1.2 billion pounds of pork in the third quarter of this year, 7.8% higher than in the same period last year. Despite July softness, exports are expected to accelerate through the end of the year as U.S. pork production achieves its seasonal highs in the fall-winter period and pork prices decline, partially offsetting the effects of the high-valued U.S. dollar and further incentivizing exports.

With low international prices and weaker exports in July, dairy export forecasts for 2015 have been lowered to 9.1 billion pounds on a milk-fat basis and to 38.6 billion pounds on a skim-solids basis. Based on recent data, the milk production forecast for 2015 has been increased to 208.9 billion pounds, a year over year increase of 1.4%. Milk cows are forecast at 9.3 million head and milk per cow at 22,420 pounds. The U.S. domestic nonfat dry milk price averaged $0.744 per pound in August, the lowest monthly price since June 1988. The 2015 Class III milk price forecast has lowered to $15.80-16.00 per hundredweight (cwt) due to a lower whey price forecast. With higher price forecasts for butter and nonfat dry milk, the Class IV milk price forecast is raised to $13.55-$13.85. The higher Class IV milk price more than offsets the lower Class III milk price, resulting in an all-milk price forecast of $16.80-$17.00 per cwt.

U.S. trade data released for the month of July suggest that the high-valued U.S. dollar exchange rate continues to create a drag on U.S. exports of red meat and dairy products. USDA lowered its second-half 2015 export forecast for beef by 55 million pounds. While the second-half 2015 forecast for pork exports remains unchanged, July exports were approximately half a percent lower than a year ago. Projected dairy exports were lowered from last month's forecast on both the milk-fat and skim-solids milk-equivalent bases. The high-valued U.S. Dollar effectively reduces the competitiveness of U.S. products in foreign markets by raising their prices for foreign buyers.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $6.9 billion at September 30, 2015, a $188.5 million increase from December 31, 2014.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank was $7.2 billion at September 30, 2015, a $149.8 million increase from December 31, 2014. Our combined mortgage portfolio increased $212.4 million, or 4.2% from December 31, 2014. The asset growth in the mortgage portfolio during the first nine months of 2015 was attributed to all of our lending units. Our short-term commercial loan portfolio decreased $62.6 million, or 3.2% from December 31, 2014. This expected reduction is primarily attributed to the seasonal repayment of tax planning disbursements from November and December 2014, as well as the significant number of annual payments being due in the first quarter. When compared to September 2014, owned and managed mortgage volume is up 7.4% and commercial loan volume is up 9.6%. Both of these reflect an asset growth rate year over year that supports our 2015 business plan.

Portfolio Credit Quality

The credit quality of our loan portfolio remained strong during the first nine months of 2015. Acceptable loan credit quality, as measured under the Uniform Classification System, decreased slightly to 97.4% after beginning the year at 97.5%. Year over year, acceptable credit quality was unchanged from September 30, 2014. Portfolio assets criticized as being less than acceptable are comprised of 1.1% other assets especially mentioned (OAEM) and 1.5% adversely classified. Both categories remained relatively unchanged from December 31, 2014.

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

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse asset to risk funds ratio of 8.3%. This ratio has improved since December 31, 2014 when it was 9.4%. This ratio is a good measure of our risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At September 30, 2015, $258.0 million of our loans were, to some level, guaranteed under these programs.

Risk Assets

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

As of:	**September 30 2015**	December 31 2014
Loans:		
Nonaccrual	**$43,806**	$47,553
Accruing restructured	**3,477**	3,173
Accruing loans 90 days or more past due	**1,344**	--
Total risk loans	**48,627**	50,726
Acquired property	**2,463**	1,904
Total risk assets	**$51,090**	$52,630
Total risk loans as a percentage of total loans	**0.7%**	0.7%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.7%
Total delinquencies as a percentage of total loans	**0.4%**	0.3%

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

Nonaccrual loans decreased from $47.6 million at December 31, 2014 to $43.8 million at September 30, 2015. This $3.7 million decrease in nonaccrual volume was primarily due to paydowns. As of September 30, 2015, approximately 36% of the nonaccrual loan portfolio was comprised of greenhouse and nursery loans, 21% general crop and livestock farms, and 20% part-time farmers. Nonaccrual loans remained at an acceptable level at September 30, 2015 and 75.2% of our nonaccrual loans were current.

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

Acquired property inventory increased slightly from $1.9 million as of December 31, 2014 to $2.5 million as of September 30, 2015. The increase was primarily due to the net addition of three properties during the first nine months of the year.

Allowance for Loan Losses

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

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

As of:	**September 30 2015**	December 31 2014
Allowance as a percentage of:		
Loans	**0.5%**	0.5%
Nonaccrual loans	**83.9%**	71.7%
Total risk loans	**75.5%**	67.2%

The allowance for loan losses increased $2.6 million from December 31, 2014 to September 30, 2015. During the first nine months of 2015, a provision for loan loss of $3.7 million was recorded, which was partially offset by $1.1 million of net charge-offs. The increase in the allowance for loan losses is primarily due to additional risk in our loan portfolio related to lower grain and milk prices.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income for the nine months ended September 30, 2015 includes a provision for loan losses of $3.7 million and a provision for credit losses on unfunded loan commitments of $2.7 million. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $4.8 million and $2.1 million as of September 30, 2015 and December 31, 2014, respectively.

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

RESULTS OF OPERATIONS

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

For the nine months ended September 30	**2015**	2014
Net income	**$96,540**	$108,837
Return on average assets	**1.9%**	2.3%
Return on average members' equity	**9.9%**	12.1%

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

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

For the nine months ended September 30	**2015**	2014	**Increase (decrease) in net income**
Net interest income	**$134,854**	$129,439	**$5,415**
(Provision for) reversal of credit losses	**(6,392)**	4,795	**(11,187)**
Patronage income	**17,220**	19,716	**(2,496)**
Financially related services income	**6,151**	5,731	**420**
Fee income	**9,791**	9,641	**150**
Acquired property income, net	**298**	3,419	**(3,121)**
Miscellaneous income, net	**662**	249	**413**
Operating expenses	**(63,826)**	(58,662)	**(5,164)**
Provision for income taxes	**(2,218)**	(5,491)	**3,273**
Net income	**$96,540**	$108,837	**($12,297)**

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

	2015 vs 2014
Changes in volume	**$12,124**
Changes in interest rates	**(6,826)**
Changes in nonaccrual income and other	**117**
Net change	**$5,415**

The change in the (provision for) reversal of credit losses includes a provision for loan losses of $3.7 million for the first nine months of 2015 compared to a reversal of provision for loan losses of $6.0 million for the first nine months of 2014. The additional provision recorded in 2015 was primarily due to the added risk in our loan portfolio related to lower grain and milk prices. During 2014, there were large amounts of paydowns on adversely classified loans as well as improved credit quality. In addition, a $2.7 million provision was recorded on unfunded loan commitments during the first nine months of 2015 compared to $1.2 million during the same period in 2014.

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

The decrease in acquired property income, net was primarily due to a one-time $3.2 million gain on the sale of a large timber property during the third quarter of 2014.

The change in operating expenses was primarily related to increases in salaries and employee benefits and Farm Credit System Insurance Corporation (FCSIC) expense. FCSIC expense increased $902 thousand, or 20%, during the first nine months of 2015 compared to 2014 primarily due to loan growth and an increase in the premium rate charged on accrual loans by FCSIC from 12 basis points in 2014 to 13 basis points in 2015.

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

FUNDING, LIQUIDITY, AND CAPITAL

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

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at September 30, 2015 or December 31, 2014.

Total members' equity increased $74.2 million from December 31, 2014 primarily due to net income for the period, which was partially offset by patronage distribution accruals.

Farm Credit Administration regulations require us to maintain a certain level for our permanent capital ratio, total surplus ratio, and core surplus ratio. Refer to Note 8 in our 2014 Annual Report for a more complete description of these ratios. The following table summarizes the regulatory minimums and our actual results for the regulatory ratios:

As of	Regulatory Minimums	**September 30 2015**	December 31 2014
Permanent capital ratio	7.0%	**16.3%**	16.2%
Total surplus ratio	7.0%	**16.0%**	15.9%
Core surplus ratio	3.5%	**16.0%**	15.9%

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

CERTIFICATION

The undersigned have reviewed the September 30, 2015 Quarterly Report of GreenStone Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

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

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

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

November 6, 2015

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA

(in thousands)

(Unaudited)

As of:	**September 30 2015**	December 31 2014
ASSETS		
Loans	**$6,910,240**	$6,721,782
Allowance for loan losses	**36,737**	34,106
Net loans	**6,873,503**	6,687,676
Investment in AgriBank, FCB	**108,317**	103,368
Investment securities	**22,001**	25,661
Accrued interest receivable	**62,936**	47,645
Premises and equipment, net	**38,174**	34,526
Acquired property	**2,463**	1,904
Deferred tax assets, net	**4,800**	5,170
Other assets	**34,768**	40,386
Total assets	**$7,146,962**	$6,946,336
LIABILITIES		
Note payable to AgriBank, FCB	**$5,716,717**	$5,582,495
Accrued interest payable	**23,192**	21,324
Patronage distribution payable	**22,575**	36,200
Other liabilities	**47,294**	43,343
Total liabilities	**5,809,778**	5,683,362
Contingencies and commitments	**--**	--
MEMBERS' EQUITY		
Protected members' equity	**2**	2
Capital stock and participation certificates	**21,350**	21,105
Unallocated surplus	**1,315,832**	1,241,867
Total members' equity	**1,337,184**	1,262,974
Total liabilities and members' equity	**$7,146,962**	$6,946,336

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

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2015**	2014	**2015**	2014
Interest income	**$69,796**	$65,066	**$204,282**	$191,860
Interest expense	**23,940**	21,322	**69,428**	62,421
Net interest income	**45,856**	43,744	**134,854**	129,439
Provision for (reversal of) credit losses	**4,814**	509	**6,392**	(4,795)
Net interest income after provision for (reversal of) credit losses	**41,042**	43,235	**128,462**	134,234
Non-interest income				
Patronage income	**5,782**	6,432	**17,220**	19,716
Financially related services income	**1,982**	2,109	**6,151**	5,731
Fee income	**2,939**	3,326	**9,791**	9,641
Acquired property income, net	**66**	3,064	**298**	3,419
Miscellaneous income (loss), net	**265**	(95)	**662**	249
Total non-interest income	**11,034**	14,836	**34,122**	38,756
Operating expenses				
Salaries and employee benefits	**14,172**	12,889	**42,411**	38,307
Other operating expenses	**7,179**	7,296	**21,415**	20,355
Total operating expenses	**21,351**	20,185	**63,826**	58,662
Income before income taxes	**30,725**	37,886	**98,758**	114,328
Provision for income taxes	**44**	975	**2,218**	5,491
Net income	**$30,681**	$36,911	**$96,540**	$108,837

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

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

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2013	$3	$20,614	$1,135,295	$1,155,912
Net income	--	--	108,837	108,837
Unallocated surplus designated for patronage distributions	--	--	(20,837)	(20,837)
Capital stock and participation certificates issued	--	1,367	--	1,367
Capital stock and participation certificates retired	--	(1,034)	--	(1,034)
Balance at September 30, 2014	$3	$20,947	$1,223,295	$1,244,245
Balance at December 31, 2014	$2	$21,105	$1,241,867	$1,262,974
Net income	**--**	**--**	**96,540**	**96,540**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(22,575)**	**(22,575)**
Capital stock and participation certificates issued	**--**	**1,451**	**--**	**1,451**
Capital stock and participation certificates retired	**--**	**(1,206)**	**--**	**(1,206)**
Balance at September 30, 2015	**$2**	**$21,350**	**$1,315,832**	**$1,337,184**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2014 (2014 Annual Report).

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

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

Recently Issued or Adopted Accounting Pronouncements

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

As of:	**September 30, 2015**		December 31, 2014	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$4,198,577**	**60.8%**	$3,985,716	59.3%
Production and intermediate term	**1,946,351**	**28.2**	2,001,441	29.8
Agribusiness	**487,623**	**7.0**	454,574	6.8
Other	**277,689**	**4.0**	280,051	4.1
Total	**$6,910,240**	**100.0%**	$6,721,782	100.0%

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

Delinquency

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

As of September 30, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	**$12,843**	**$2,029**	**$14,872**	**$4,222,961**	**$4,237,833**	**$ --**
Production and intermediate term	**3,539**	**5,513**	**9,052**	**1,958,855**	**1,967,907**	**1,297**
Agribusiness	**--**	**47**	**47**	**488,787**	**488,834**	**47**
Other	**2,378**	**823**	**3,201**	**275,050**	**278,251**	**--**
Total	**$18,760**	**$8,412**	**$27,172**	**$6,945,653**	**$6,972,825**	**$1,344**

As of December 31, 2014	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	$9,501	$4,089	$13,590	$3,999,010	$4,012,600	$ --
Production and intermediate term	3,823	2,502	6,325	2,013,730	2,020,055	--
Agribusiness	--	--	--	455,861	455,861	--
Other	2,649	1,042	3,691	276,872	280,563	--
Total	$15,973	$7,633	$23,606	$6,745,473	$6,769,079	$ --

Risk Loans

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

As of:	**September 30 2015**	December 31 2014
Volume with specific reserves	**$27,036**	$33,272
Volume without specific reserves	**21,591**	17,454
Total risk loans	**$48,627**	$50,726
Total specific reserves	**$12,361**	$15,895
For the nine months ended September 30	**2015**	2014
Income on accrual risk loans	**$183**	$113
Income on nonaccrual loans	**955**	1,540
Total income on risk loans	**$1,138**	$1,653
Average risk loans	**$51,427**	$63,622

We had relationships with two at risk borrowers in which we had commitments to lend additional funds at September 30, 2015. The balance of the unfunded loan commitments were $4.8 million and $2.1 million as of September 30, 2015 and December 31, 2014, respectively.

Troubled Debt Restructurings (TDRs)

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

The following table presents information regarding TDRs that occurred during the nine months ended September 30 (in thousands):

	2015		2014	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$143**	**$177**	$291	$293
Production and intermediate term	**180**	**181**	12	12
Other	**108**	**111**	94	104
Total	**$431**	**$469**	$397	$409

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

The primary type of modification during the nine months ended September 30, 2015 was extension of maturity.

The following table presents TDRs that defaulted during the nine months ended September 30 in which the modification date was within twelve months of the respective reporting period (in thousands):

	2015	2014
Production and intermediate term	**$22**	$ --
Other	**--**	104
Total	**$22**	$104

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

As of:	**September 30 2015**	December 31 2014
Accrual status:		
Real estate mortgage	**$2,736**	$2,412
Production and intermediate term	**576**	594
Other	**165**	167
Total TDRs in accrual status	**$3,477**	$3,173
Nonaccrual status:		
Real estate mortgage	**$855**	$1,366
Production and intermediate term	**430**	346
Other	**391**	254
Total TDRs in nonaccrual status	**$1,676**	$1,966
Total TDRs	**$5,153**	$5,139

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

Allowance for Loan Losses

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

Nine months ended September 30	**2015**	2014
Balance at beginning of period	**$34,106**	$38,772
Provision for (reversal of) loan losses	**3,731**	(6,022)
Loan recoveries	**598**	492
Loan charge-offs	**(1,698)**	(2,260)
Balance at end of period	**$36,737**	$30,982

The allowance for loan losses increased $2.6 million from December 31, 2014 to September 30, 2015. During the first nine months of 2015, a provision for loan loss of $3.7 million was recorded, which was partially offset by $1.1 million of net charge-offs. The increase in the allowance for loan losses is primarily due to additional risk in our loan portfolio related to lower grain and milk prices.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income for the nine months ended September 30, 2015 includes a provision for loan losses of $3.7 million and a provision for credit losses on unfunded loan commitments of $2.7 million. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $4.8 million and $2.1 million as of September 30, 2015 and December 31, 2014, respectively.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $22.0 million at September 30, 2015 and $25.7 million at December 31, 2014. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration.

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

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

As of:	**September 30 2015**	December 31 2014
Amortized cost	**$22,001**	$25,661
Unrealized gains	**960**	933
Unrealized losses	**--**	--
Fair value	**$22,961**	$26,594
Weighted average yield	**1.4%**	0.7%

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $247 thousand and $160 thousand for the nine months ended September 30, 2015 and 2014, respectively.

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

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

NOTE 5: FAIR VALUE MEASUREMENTS

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

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

Non-Recurring Basis

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

	As of September 30, 2015				**Nine months ended September 30, 2015**
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	**$ --**	**$9,574**	**$5,834**	**$15,408**	**$1,836**
Acquired property	**--**	**3,327**	**--**	**3,327**	**176**
	As of December 31, 2014				Nine months ended September 30, 2014
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	$ --	$10,157	$8,089	$18,246	$439
Acquired property	--	2,719	--	2,719	3,427

Valuation Techniques

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

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

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 6, 2015, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.