Quarterly Report
June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA (the parent) and Farm Credit Mid-America, FLCA and Farm Credit Mid-America, 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 Farm Credit Mid-America, 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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Louisville, KY 40232
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30 East 7th Street, Suite 1600
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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

Grain prices are down from last year and profits in this sector are expected to decline in 2015 when compared to 2014 and 2013. The animal protein sector is, however, experiencing generally favorable prices and profits are expected in 2015. The non-farm economy is stable and showing signs of improvement.

LOAN PORTFOLIO

See Note 2 for additional details regarding our loan portfolio.

Loan Portfolio

Total loans were $19.0 billion at June 30, 2015, an increase of $229.3 million from December 31, 2014. The increase was primarily due to strong business activity in mortgage loans offset by loan repayments associated with our commercial volume.

Portfolio Credit Quality

The credit quality of our portfolio slightly declined from December 31, 2014. Adversely classified loans increased to 2.5% of the portfolio at June 30, 2015, from 2.2% of the portfolio at December 31, 2014. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

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

As of:	June 30 2015	December 31 2014
Loans:		
Non-accrual	**$ 204,453**	$ 192,865
Accruing restructured	**15,834**	15,968
Accruing loans 90 days or more past due	**2,108**	--
Total risk loans	**222,395**	208,833
Other property owned	**7,197**	9,322
Total risk assets	**$ 229,592**	$ 218,155
Total risk loans as a percentage of total loans	**1.2%**	1.1%
Non-accrual loans as a percentage of total loans	**1.1%**	1.0%
Total delinquencies as a percentage of total loans	**0.7%**	0.9%

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

The increase in non-accrual loans was primarily due to declines in grain prices in our grains sector. Non-accrual loans remained at an acceptable level at June 30, 2015 and 59.0% of our non-accrual loans were current.

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

Allowance for Loan Losses

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

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

As of:	June 30 2015	December 31 2014
Allowance as a percentage of:		
Loans	**0.3%**	0.3%
Non-accrual loans	**25.0%**	24.7%
Total risk loans	**23.0%**	22.8%

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

RESULTS OF OPERATIONS

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

For the six months ended June 30	2015	2014
Net income	**$ 141,906**	$ 148,978
Return on average assets	**1.4%**	1.5%
Return on average members' equity	**7.7%**	8.8%

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

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

For the six months ended June 30	2015	2014	Increase (decrease) in net income
Net interest income	$ 211,737	$ 205,411	$ 6,326
Provision for credit losses	10,650	8,649	(2,001)
Patronage income	26,382	29,745	(3,363)
Other income, net	24,809	25,124	(315)
Operating expenses	104,197	96,068	(8,129)
Provision for income taxes	6,175	6,585	410
Net income	$ 141,906	$ 148,978	$ (7,072)

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

	2015 vs 2014
Changes in volume	$ 13,757
Changes in interest rates	(6,373)
Changes in non-accrual income and other	(1,058)
Net change	$ 6,326

Provision for Credit Losses

The change in the provision for credit losses was primarily related to the establishment of a reserve for grain cropland loans within our portfolio as well as establishment of a reserve for unfunded loan commitments during the six months ended June 30, 2015.

Patronage Income

The decrease in patronage income was primarily related to a lower patronage rate compared to the prior year and also a decrease in patronage income received on loans in the AgriBank Asset Pool Program due to lower balance of loans in the AgriBank Asset Pool Program compared to the prior year. The decrease was offset by increased patronage received from AgriBank due to a higher average balance on our note payable.

Operating Expenses

The change in operating expenses was primarily related to increases in employee benefits expenses related to retirement benefits and medical insurance along with increased purchased services costs related to association initiatives. Farm Credit System Insurance Corporation (FCSIC) expense increased in 2015 primarily due to an increase in the premium rate charged on accrual loans by FCSIC from 12 basis points in 2014 to 13 basis points in 2015.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matured on April 30, 2015 and was renewed for $19.5 billion with a maturity date of April 30, 2016. The note payable will be renegotiated at that time. The repricing attributes of our line of credit directly correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as the Association is a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

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

Total members' equity increased $142.2 million from December 31, 2014 primarily due to net income for the period.

Farm Credit Administration regulations require us to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. Refer to Note 8 in our 2014 Annual Report for a more complete description of these ratios. As of June 30, 2015, the ratios were as follows:

- The permanent capital ratio was 17.2%.
- The total surplus ratio was 16.7%.
- The core surplus ratio was 16.7%.

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

REGULATORY MATTERS

On May 8, 2014, the FCA Board approved a proposed rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the proposed rule are as follows:

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

The public comment period, which originally closed on February 16, 2015, was reopened from June 26 through July 10, 2015, in response to a request to allow System institutions the opportunity to discuss the proposed rule with FCA Board members who joined the FCA Board in March 2015.

CERTIFICATION

The undersigned certify they have reviewed Farm Credit Mid-America, ACA's June 30, 2015 Quarterly Report. It has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

D. Kevin Cox

D. Kevin Cox
Chair of the Board
Farm Credit Mid-America, ACA

William L Johnson

William L. Johnson
Chief Executive Officer
Farm Credit Mid-America, ACA

Paul Bruce

Paul Bruce
Chief Financial Officer
Farm Credit Mid-America, ACA

August 7, 2015

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

As of:		**June 30 2015**		December 31 2014
ASSETS				
Loans	**$**	**19,005,360**	$	18,775,989
Allowance for loan losses		**51,125**		47,661
Net loans		**18,954,235**		18,728,328
Investment in AgriBank, FCB		**411,461**		409,076
Investment securities		**992,633**		1,038,343
Accrued interest receivable		**144,836**		145,002
Other property owned		**7,197**		9,322
Assets held for lease, net		**329,380**		345,985
Other assets		**138,610**		154,667
Total assets	**$**	**20,978,352**	$	20,830,723
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**16,994,052**	$	16,956,038
Accrued interest payable		**81,301**		81,410
Deferred tax liabilities, net		**102,335**		109,657
Other liabilities		**33,703**		58,818
Total liabilities		**17,211,391**		17,205,923
Contingencies and commitments		**--**		--
MEMBERS' EQUITY				
Capital stock and participation certificates		**86,237**		85,982
Unallocated surplus		**3,680,724**		3,538,818
Total members' equity		**3,766,961**		3,624,800
Total liabilities and members' equity	**$**	**20,978,352**	$	20,830,723

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2015**	2014	**2015**	2014
Interest income	**$ 188,747**	$ 181,148	**$ 373,322**	$ 360,761
Interest expense	**81,419**	78,106	**161,585**	155,350
Net interest income	**107,328**	103,042	**211,737**	205,411
Provision for credit losses	**7,650**	7,723	**10,650**	8,649
Net interest income after provision for credit losses	**99,678**	95,319	**201,087**	196,762
Other income				
Patronage income	**12,938**	14,554	**26,382**	29,745
Financially related services income	**277**	279	**871**	691
Fee income	**10,225**	9,831	**18,622**	18,803
Operating Lease Income	**3,287**	2,147	**5,652**	5,139
Other property owned losses, net	**(694)**	(240)	**(1,037)**	(521)
Miscellaneous income (loss), net	**82**	(113)	**701**	1,012
Total other income	**26,115**	26,458	**51,191**	54,869
Operating expenses				
Salaries and employee benefits	**33,594**	30,592	**66,112**	61,140
Other operating expenses	**19,596**	18,028	**38,085**	34,928
Total operating expenses	**53,190**	48,620	**104,197**	96,068
Income before income taxes	**72,603**	73,157	**148,081**	155,563
Provision for income taxes	**2,465**	1,824	**6,175**	6,585
Net income	**$ 70,138**	$ 71,333	**$ 141,906**	$ 148,978

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2013	$ 85,693	$ 3,227,744	$ 3,313,437
Net income	--	148,978	148,978
Capital stock and participation certificates issued	2,513	--	2,513
Capital stock and participation certificates retired	(2,664)	--	(2,664)
Balance at June 30, 2014	$ 85,542	$ 3,376,722	$ 3,462,264
Balance at December 31, 2014	$ 85,982	$ 3,538,818	$ 3,624,800
Net income	**--**	**141,906**	**141,906**
Capital stock and participation certificates issued	**3,107**	**--**	**3,107**
Capital stock and participation certificates retired	**(2,852)**	**--**	**(2,852)**
Balance at June 30, 2015	**$ 86,237**	**$ 3,680,724**	**$ 3,766,961**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements present the consolidated financial results of Farm Credit Mid-America, ACA (the parent) and Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

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

Recently Issued or Adopted Accounting Pronouncements

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

As of:	**June 30, 2015**		December 31, 2014	
	Amount	%	Amount	%
Real estate mortgage	**$ 13,096,987**	**68.9%**	$ 12,776,369	68.0%
Production and intermediate term	**3,184,744**	**16.8%**	3,282,508	17.5%
Agribusiness	**1,243,936**	**6.5%**	1,207,921	6.4%
Rural residential real estate	**1,017,970**	**5.4%**	1,029,707	5.5%
Finance leases and other	**461,723**	**2.4%**	479,484	2.6%
Total	**$ 19,005,360**	**100.0%**	$ 18,775,989	100.0%

The finance leases and other category is comprised of finance leases, communication, international, and energy related loans as well as loans originated under our mission related investment authority.

Delinquency

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

As of June 30, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	**$ 49,114**	**$ 31,029**	**$ 80,143**	**$ 13,115,648**	**$ 13,195,791**	**$ 163**
Production and intermediate term	**20,194**	**11,225**	**31,419**	**3,185,957**	**3,217,376**	**1,945**
Agribusiness	**147**	**--**	**147**	**1,248,264**	**1,248,411**	**--**
Rural residential real estate	**12,579**	**5,829**	**18,408**	**1,002,263**	**1,020,671**	**--**
Finance leases and other	**41**	**126**	**167**	**461,897**	**462,064**	**--**
Total	**$ 82,075**	**$ 48,209**	**$ 130,284**	**$ 19,014,029**	**$ 19,144,313**	**$ 2,108**

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	$ 101,094	$ 26,388	$ 127,482	$ 12,741,498	$ 12,868,980	$ --
Production and intermediate term	7,243	6,995	14,238	3,306,529	3,320,767	--
Agribusiness	3,754	--	3,754	1,209,067	1,212,821	--
Rural residential real estate	13,765	5,959	19,724	1,012,594	1,032,318	--
Finance leases and other	45	1	46	479,785	479,831	--
Total	$ 125,901	$ 39,343	$ 165,244	$ 18,749,473	$ 18,914,717	$ --

Risk Loans

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

As of:	**June 30 2015**	December 31 2014
Volume with specific reserves	**$ 15,711**	$ 16,883
Volume without specific reserves	**206,684**	191,950
Total risk loans	**$ 222,395**	$ 208,833
Total specific reserves	**$ 2,703**	$ 4,413
For the six months ended June 30	**2015**	2014
Income on accrual risk loans	**$ 384**	$ 525
Income on non-accrual loans	**4,679**	5,738
Total income on risk loans	**$ 5,063**	$ 6,263
Average risk loans	**$ 216,400**	$ 228,205

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at June 30, 2015.

Troubled Debt Restructurings (TDRs)

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

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

	2015		2014	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 805**	**$ 778**	$ 2,375	$ 2,972
Production and intermediate term	**566**	**485**	549	344
Rural residential real estate	**633**	**523**	329	283
Total	**$ 2,004**	**$ 1,786**	$ 3,253	$ 3,599

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

The primary types of modification typically include forgiveness of interest or principal, interest rate reduction below market, or extension of maturity.

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

		2015		2014
Real estate mortgage	$	179	$	993
Production and intermediate term		--		162
Rural residential real estate		247		131
Total	$	426	$	1,286

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

As of:		June 30 2015		December 31 2014
Accrual status:				
Real estate mortgage	$	14,155	$	13,441
Production and intermediate term		1,041		1,917
Agribusiness		153		221
Rural residential real estate		485		389
Total TDRs in accrual status	$	15,834	$	15,968
Non-accrual status:				
Real estate mortgage	$	12,074	$	13,232
Production and intermediate term		5,362		4,740
Rural residential real estate		2,255		1,997
Total TDRs in nonaccrual status	$	19,691	$	19,969
Total TDRs	$	35,525	$	35,937

There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2015.

Allowance for Loan Losses

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

Six months ended June 30		2015		2014
Balance at beginning of year	$	47,661	$	46,810
Provision for loan losses		8,850		8,649
Loan recoveries		1,821		2,299
Loan charge-offs		(7,207)		(9,932)
Balance at end of period	$	51,125	$	47,826

The increase in the allowance for loan losses was primarily due to the establishment of a reserve for grain cropland loans within our portfolio based on a portfolio analysis determining the impact of declined commodity prices during the six months ended June 30, 2015.

The “Provision for credit losses” in the Consolidated Statements of Income includes a provision for loan losses as presented in the previous chart as well as a provision for credit losses on unfunded loan commitments.

During the six months ended June 30, 2015, $1.8 million of provision expense was recorded to establish a reserve on unfunded loan commitments. The accrued credit losses are recorded in “Other liabilities” in the Consolidated Statements of Condition and “Provision for credit losses” in the Consolidated Statements of Income. No credit losses of this nature were accrued as of December 31, 2014.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $992.6 million at June 30, 2015 and $1.0 billion at December 31, 2014. Our investment securities consisted of:

- securities containing loans guaranteed by the Small Business Administration (SBA),
- investment securities made up of Farm Service Agency securities (FSA), and
- securities issued by the United States Department of Agriculture (USDA).

At June 30, 2015 and December 31, 2014 all of our investment securities were fully guaranteed by the SBA, FSA, or USDA.

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

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

	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
As of June 30, 2015									
MBS	**2.7%**	**$**	**898,045**	**$**	**6,315**	**$**	**16,556**	**$**	**887,804**
ABS	**2.6%**		**94,588**		**2,556**		**1,125**		**96,019**
Total	**2.7%**	**$**	**992,633**	**$**	**8,871**	**$**	**17,681**	**$**	**983,823**
As of December 31, 2014									
MBS	2.7%	$	935,124	$	6,104	$	14,151	$	927,077
ABS	2.7%		103,219		3,110		218		106,111
Total	2.7%	$	1,038,343	$	9,214	$	14,369	$	1,033,188

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $12.9 million and $15.1 million for the six months ended June 30, 2015 and 2014, respectively.

The following table presents contractual maturities of our investment securities (in thousands):

As of June 30, 2015		Amortized Cost
Less than one year	**$**	**1,524**
One to five years		**79,543**
Five to ten years		**142,864**
More than ten years		**768,702**
Total	**$**	**992,633**

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

	Less than 12 months				Greater than 12 months			
As of June 30, 2015		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	**$**	**113,261**	**$**	**(7,100)**	**$**	**536,817**	**$**	**(9,456)**
ABS		**11,183**		**(997)**		**6,849**		**(128)**
Total	**$**	**124,444**	**$**	**(8,097)**	**$**	**543,666**	**$**	**(9,584)**

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At June 30, 2015, the majority of the $8.1 million unrealized loss represents unamortized premium.

Farm Credit Mid-America, ACA, AgriBank, and certain affiliated associations are among the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC will facilitate equity and debt investments in agriculture-related businesses that will create growth and job opportunities in rural America. Our total commitment is $20.0 million through October 2019. Our investment in the RBIC is recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $1.2 million at June 30, 2015 and $757 thousand at December 31, 2014.

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

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

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

NOTE 5: FAIR VALUE MEASUREMENTS

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

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

Non-Recurring Basis

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

	As of June 30, 2015				**Six months ended June 30, 2015**
	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	**$ --**	**$ 13,658**	**$ --**	**$ 13,658**	**$ (5,497)**
Other property owned	**--**	**--**	**7,485**	**7,485**	**(909)**

	As of December 31, 2014				Six months ended June 30, 2014
	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	$ --	$ 13,093	$ --	$ 13,093	$ (9,663)
Other property owned	--	--	9,695	9,695	(346)

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.

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

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 7, 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.