FARM CREDIT PROUD PARTNER SERVING AGRICULTURE

2015 FIRST QUARTER REPORT

MARCH 31, 2015

TEXAS FARM CREDIT DISTRICT

FIRST QUARTER 2015

Table of Contents

Management's Discussion and Analysis of Combined Financial Condition and Results of Operations

(dollars in thousands, except as noted)

The following discussion reviews the combined financial condition and results of operations of the Farm Credit Bank of Texas (bank), its affiliated Federal Land Credit Association (FLCA) and affiliated Agricultural Credit Associations (ACAs) for the three months ended March 31, 2015. The FLCA and ACAs are collectively referred to as associations, and the bank and its affiliated associations are collectively referred to as the district. These comments should be read in conjunction with the accompanying combined financial statements and footnotes, along with the 2014 Annual Report to stockholders. The accompanying financial statements were prepared under the oversight of the bank's audit committee.

RESULTS OF OPERATIONS

Net Income

Net income for the three months ended March 31, 2015, was $106,293, an increase of $47 over the same period of 2014. The increase in net income consisted of an $11,922 increase in net interest income, a $5,939 increase in noninterest income and a $35 decrease in provision for income taxes, offset by a $12,570 increase in noninterest expense and a $5,279 increase in provision for loan losses.

Net Interest Income

Net interest income for the three months ended March 31, 2015, was $169,281, an increase of $11,922, or 7.6 percent, over the same period of 2014. The increase was primarily the result of a $1.9 billion increase in combined district average earning assets, offset by a 4-basis-point decrease in the net interest rate spread to 2.74 percent for the three months ended March 31, 2015. The increase in earning assets was due to increases in association average loan volume, the bank's participation loan portfolio and the bank's investment portfolio. The decrease in the net interest rate spread included a 3-basis-point decline in the effective rate on average earning assets, and a 1-basis-point increase in the effective cost of average interest-bearing liabilities. The district's associations had an increase in average loan volume of $1.2 billion compared to the same period of 2014, due mainly to improved general economic conditions. The bank called $925.9 million in debt in the three months ended March 31, 2015, as compared to $890.0 million in the first three months of 2014.

Provision for Loan Losses

The district's provision for loan losses, standby letters of credit and unfunded commitments for the three months ended March 31, 2015, totaled $3,460, an increase of $5,279 from the $1,819 negative provision for the same period of 2014.

Noninterest Income

Noninterest income for the three months ended March 31, 2015, was $18,286, an increase of $5,939, or 48.1 percent, from the same period of 2014. The increase included a $5,779 dividend received by the bank with the disposition of the preferred stock of an ethanol facility in other property owned (OPO), a $2,532 increase in fees for loan-related services, an $805 increase in patronage income and a $610 increase in all other noninterest income, collectively. Offsetting these increases were a $3,133 loss on the write-off of loan accounting software which was not deemed a useable asset and a $654 decrease in fair value on loans purchased in the secondary market. The bank has elected a fair value option for financial presentation purposes on certain loans purchased in the secondary market at a significant premium. The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial instruments. As discussed in the "Investments" section of this Management's Discussion and Analysis, the bank performs other-than-temporary impairment (OTTI) assessments on investment securities based on evaluations of both current and future market and credit conditions at each quarter end. The bank recorded no credit losses on OTTI securities during the first quarter of 2014 or 2015.

Noninterest Expense

Noninterest expense for the three months ended March 31, 2015, was $77,678, an increase of $12,570, or 19.3 percent, over the same period of 2014. The increase is primarily attributable to an $11,792 increase in salaries and benefits, a $1,983 increase in other operating expenses, a $909 increase in premiums to the FCSIC and an $832 increase in occupancy and equipment expenses, offset by a $2,946 decrease in net losses on OPO. The increase in salaries and benefits included an $8,091 increase in compensation and related payroll taxes (primarily at the district's associations) and a $3,068 increase in pension and retirement expenses resulting mainly from the amortization of actuarial losses incurred in 2014 in the district's defined benefit pension plan. The increase in other operating expenses included an $834 increase in professional and contract services and a $570 increase in advertising and member relations expenses. The increase in occupancy and equipment expenses included a $600 increase in computer expenses. The decrease in losses on OPO included a $2,675 increase in net gains on the bank's disposition of the preferred stock of an ethanol facility and a $292 decrease in net expenses on OPO, offset by a $141 increase in carrying value adjustments on OPO ($81 at the bank and $60 at the district's associations).

Key results of operations comparisons:

	Annualized for the Three Months Ended 3/31/2015	Annualized for the Three Months Ended 3/31/2014
Return on average assets	**1.77%**	1.92%
Return on average members' equity	**11.36%**	11.91%
Net interest income as a percentage of average earning assets	**2.91%**	2.94%
Charge-offs, net of recoveries, to average loans	**0.00%**	-0.01%
Operating expenses as a percentage of net interest income and noninterest income	**43.41%**	38.83%
Operating expenses as a percentage of average earning assets	**1.40%**	1.23%

Other Comprehensive Income

Other comprehensive income consists of certain gains, losses or costs for which values are included in assets or liabilities on the balance sheets, but which have not yet been recognized in earnings. In the balance sheet, they are included in accumulated other comprehensive (loss) income in the shareholders' equity section. For the district, these elements include unrealized gains or losses on the bank's available-for-sale investment portfolio, amortization of certain pension and postretirement benefit elements and changes in the value of cash flow derivative instruments.

The table below summarizes changes in elements included in other comprehensive income for the three months ended March 31:

	2015	2014
Change in unrealized losses on available-for-sale securities		
Net decrease in unrealized losses on investment securities	**$ 23,536**	$ 6,979
Decrease in noncredit portion of other-than-temporary impairment (OTTI) losses	**-**	9
Net decrease in unrealized losses on securities	**23,536**	6,988
Change in pension and postretirement benefit plans		
Change due to effect of merger	**216**	326
Amounts amortized into net periodic expense:		
Amortization of prior service credits	**(550)**	(487)
Amortization of net losses	**4,771**	2,064
Net change in pension and postretirement benefit plans	**4,437**	1,903
Change in cash flow derivative instruments		
Unrealized losses on interest rate caps	**(172)**	(288)
Reclassification of loss recognized in interest expense	**482**	570
Net change in cash flow derivative instruments	**310**	282
Other comprehensive income	**$ 28,283**	$ 9,173

FINANCIAL CONDITION

Loan Portfolio

Gross loan volume at March 31, 2015, was $19.7 billion, an increase of $318.4 million, or 1.6 percent, from $19.4 billion at December 31, 2014. The increase in the loan portfolio during the first three months of 2015 was due primarily to growth in the bank's capital markets portfolio of $260.7 million and in the associations' loan portfolios of $56.6 million.

The bank's capital markets loan portfolio predominantly includes participations, syndications and purchased whole loans, along with other financing structures within our lending authorities. The bank also refers to the capital markets portfolio as participations purchased. In addition to purchasing loans from our district associations, which may exceed their hold limits, the bank actively pursues the purchase of participations and syndications originated outside of the district's territory by other System institutions, commercial banks and other lenders. These loans may be held as earning assets of the bank or sub-participated to the associations or to other System entities.

Loans classified under the Farm Credit Administration's (FCA) Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" as a percentage of total loans and accrued interest receivable were 98.6 percent at March 31, 2015, 98.6 percent at December 31, 2014, and 98.1 percent at March 31, 2014. Nonaccrual loans for the district were 0.70 percent of total loans at March 31, 2015, compared to 0.73 percent at December 31, 2014, and 0.85 percent at March 31, 2014.

Total district high-risk asset volume decreased by $14.1 million, or 6.1 percent, to $216.8 million at March 31, 2015, from $230.9 million at December 31, 2014.

Comparative balances of high-risk assets follow (in millions):

	March 31, 2015	Increase (Decrease) $	Increase (Decrease) %	December 31, 2014
Nonaccrual loans	**$ 136.8**	$ (5.4)	(3.8) %	$ 142.2
Formally restructured loans	**51.4**	(2.7)	(5.0)	54.1
Loans 90 days past due and still accruing interest	**7.5**	5.6	294.7	1.9
Total impaired loans	**195.7**	(2.5)	(1.3)	198.2
Other property owned	**21.1**	(11.6)	(35.5)	32.7
Total high-risk assets	**$ 216.8**	$ (14.1)	(6.1) %	$ 230.9

The $5.4 million decrease in nonaccrual loans from December 31, 2014, to March 31, 2015, is primarily the result of $13.9 million in repayments, $1.6 million in transfers to OPO and $1.3 million in transfers to accrual status, offset by $11.2 million in transfers to nonaccrual, $1.1 million in advances on nonaccrual loan committed lines of credit and $48 in net recoveries. At March 31, 2015, $63.0 million, or 46.0 percent, of the district's nonaccrual loans were considered current as to principal and interest. Continued satisfactory payment performance on these loans may indicate potential for a return to accrual status. At March 31, 2015, the district had $5.1 million in nonaccrual loans on which interest income is recognized upon cash receipts, compared to $3.3 million at December 31, 2014. The decrease in OPO was due primarily to dispositions of $9.9 million at the bank and $3.2 million at district associations, offset by $1.6 million in additions to OPO at district associations. Impaired loans, consisting of nonaccrual loans, formally restructured loans and loans past due 90 days or more and still accruing interest, constituted 1.00 percent of total loans at March 31, 2015, and 1.02 percent of total loans at December 31, 2014.

The allowance for loan losses at March 31, 2015, totaled $62,024 and constituted 0.32 percent of total loans and was a decrease of $2,333, or 3.6 percent, from the allowance for loan losses at December 31, 2014. The decrease was primarily due to a $2.4 million adjustment due to a merger. The $3,460 provision for loan losses was primarily related to provisions for losses on a letter of credit at the bank and several associations, the reserve for which is included in "Other liabilities" on the Combined Balance Sheets. Additional information about the allowance for loan losses is included in Note 3, "Loans and Reserves for Credit Losses." The allowance for loan losses as a percentage of impaired loans was 31.7 percent as of March 31, 2015, as compared to 32.5 percent as of December 31, 2014. The nature of the security supporting many of the impaired loans (primarily first lien real estate) is considered in the determination of necessary allowances for loan losses. The district also had reserves for losses on letters of credit and unfunded commitments totaling $6.7 million at March 31, 2015, which included specific reserves for two letters of credit and a general reserve for credit losses on letters of credit and unfunded commitments, representing management's estimate of probable credit losses related to letters of credit and unfunded commitments.

Liquidity and Funding Sources

Cash and available-for-sale investment securities totaled $4.5 billion, or 18.3 percent, of total assets at March 31, 2015, compared to $4.54 billion, or 18.8 percent, at December 31, 2014, a decrease of $44.7 million, or 1.0 percent. At March 31, 2015, the district's cash balance was $327.4 million, a decrease of $109.8 million from the balance at December 31, 2014. Cash held at the Federal Reserve Bank at March 31, 2015, totaled $310.0 million, compared to $402.4 million at December 31, 2014. The bank maintains levels of cash and other highly liquid assets to meet loan demand, maturing debt and other liquidity needs. At March 31, 2015, the bank had 219 days of liquidity to cover maturing debt obligations, as compared to 232 days at December 31, 2014. Interest-bearing liabilities, consisting of bonds, notes and subordinated debt, increased by $247.0 million, or 1.2 percent, from December 31, 2014, to March 31, 2015.

Investments

The district's investments at March 31, 2015, included the bank's available-for-sale portfolio with a fair value of $4.08 billion and the district associations' held-to-maturity portfolio recorded at an amortized cost of $35.5 million at March 31, 2015. The available-for-sale investments included a liquidity portfolio and a portfolio of other investments. The bank's available-for-sale liquidity portfolio consisted primarily of federal agency-guaranteed collateralized mortgage-backed securities [including Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities], corporate debt, agency-guaranteed debt, asset-backed securities and other collateralized mortgage-backed securities. The available-for-sale portfolio of other investments consisted of Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) held by the bank that had a fair value of $77.6 million. The district's held-to-maturity portfolio consisted of Farmer Mac AMBS held by district associations which had an amortized cost of $35.5 million and a fair value of $35.6 million.

The Farmer Mac AMBS are backed by loans originated by the associations and previously held by the associations under Farmer Mac's long-term standby commitment to purchase agreements. Farmer Mac is a government-sponsored enterprise and is examined and regulated by FCA. It provides a secondary market for agricultural and rural home mortgage loans that meet certain underwriting standards. Farmer Mac is authorized to provide loan guarantees and to be a direct pooler of agricultural mortgage loans. Farmer Mac is owned by both System and non-System investors, and its board of directors has both System and non-System representation. Farmer Mac is not liable for any debt or obligation of any System institution, and no System institution other than Farmer Mac is liable for any debt or obligation of Farmer Mac.

The following table summarizes the bank's available-for-sale liquidity portfolio holdings:

	March 31, 2015		December 31, 2014	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Agency-guaranteed debt	**$ 156,326**	**$ 155,341**	$ 159,334	$ 155,190
Corporate debt	**271,510**	**271,885**	241,516	241,530
Federal agency collateralized mortgage-backed securities:				
GNMA	**1,611,234**	**1,615,117**	1,708,215	1,701,417
FNMA and FHLMC	**1,943,535**	**1,949,312**	1,829,075	1,825,894
Other collateralized mortgage-backed securities	**4**	**4**	7	7
Asset-backed securities	**83,372**	**83,346**	81,806	81,770
Total available-for-sale investments	**$ 4,065,981**	**$ 4,075,005**	$ 4,019,953	$ 4,005,808

The bank's available-for-sale other investments portfolio consisted of Farmer Mac AMBS securities as follows:

	March 31, 2015		December 31, 2014	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Agricultural mortgage-backed securities	**$ 79,208**	**$ 77,619**	$ 82,539	$ 80,583

During the three months ended March 31, 2015, there was a $23,536 unrealized gain on investments, due primarily to the effect of a decline in interest rates on the bank's fixed rate mortgage-backed securities as rates for longer maturities have dropped, and to continued demand for high-quality agency mortgage-backed securities.

FCA regulations define eligible investments by specifying credit rating criteria, final maturity limit, percentage of investment portfolio limit and certain other requirements for each investment type. At the time the investments are purchased, they must be highly rated by at least one Nationally Recognized Statistical Rating Organization (NRSRO), such as Moody's Investors Service, Standard & Poor's or Fitch Ratings. U.S. Treasury securities, U.S. agency securities (except mortgage securities) and other obligations fully insured or guaranteed by the U.S., its agencies, instrumentalities and corporations are considered eligible investments under the FCA's regulations, even if downgraded. Under the regulations, these investments have no final maturity limit, no credit rating requirement by NRSROs, no investment portfolio limit or other requirements. If an investment no longer meets the credit rating criteria, the investment becomes ineligible. To date, the FCA has not required disposition of any of these securities. While these investments do not meet the FCA's standards for liquidity, they are included in the net collateral calculation at the lower of market or book value.

At March 31, 2015, the bank held one investment that was ineligible for liquidity purposes by FCA regulations due to credit ratings that were below AAA rating by all NRSROs. That ineligible security had an amortized cost basis and a fair value of $4 at March 31, 2015.

The following table sets forth investments available-for-sale within the bank's liquidity portfolio at fair value by credit rating:

	Eligible			Ineligible				
March 31, 2015	AAA/Aaa	AA/Aa	Split Rated*	AA/Aa	A/A	BBB/Baa	CCC/Caa	Total
Agency-guaranteed debt**	$ -	$ -	$ 155,341	$ -	$ -	$ -	$ -	$ 155,341
Corporate debt	-	127,563	144,322	-		-	-	271,885
Federal agency collateralized mortgage-backed securities*								
GNMA	-	-	1,615,117	-	-	-	-	1,615,117
FNMA and FHLMC	-	-	1,949,312	-	-	-	-	1,949,312
Other collateralized mortgage-backed securities	-	-	-	4	-	-	-	4
Asset-backed securities	83,346	-	-	-	-	-	-	83,346
Total	$ 83,346	$127,563	$ 3,864,092	$ 4	$ -	$ -	$ -	$ 4,075,005

	Eligible			Ineligible				
December 31, 2014	AAA/Aaa	AA/Aa	Split Rated*	AA/Aa	A/A	BBB/Baa	CCC/Caa	Total
Agency-guaranteed debt**	$ -	$ -	$ 155,190	$ -	$ -	$ -	$ -	$ 155,190
Corporate debt	-	97,475	144,055	-		-	-	241,530
Federal agency collateralized mortgage-backed securities*								
GNMA	-	-	1,701,417	-	-	-	-	1,701,417
FNMA and FHLMC	-	-	1,825,894	-	-	-	-	1,825,894
Other collateralized mortgage-backed securities	-	-	-	7	-	-	-	7
Asset-backed securities	81,770	-	-	-	-	-	-	81,770
Total	$ 81,770	$ 97,475	$ 3,826,556	$ 7	$ -	$ -	$ -	$ 4,005,808

*Investments that received the highest credit rating from at least one NRSRO.

**At March 31, 2015, and December 31, 2014, due to credit ratings which remain "AA+" and related lowered long-term credit ratings of government-sponsored enterprises due to the potential reduction in the capacity of the U.S. government to support these securities, these investments were reported as eligible split-rated investments.

Capital Resources

The district's combined capital at March 31, 2015, totaled $3,860,289, consisting of $600,000 of Class B non-cumulative subordinated perpetual preferred stock, $60,481 of capital stock and participation certificates, $3,113,691 in retained earnings and $224,625 in additional paid-in capital, offset by $138,508 of accumulated other comprehensive loss. The balance in equity reflected an increase of $117,724, or 3.1 percent, from equity at December 31, 2014, due primarily to net income of $106,293, other comprehensive income of $28,283 and net stock issuance of $235, offset by $9,109 in patronage distributions, preferred stock dividends of $5,062 and $2,916 in fair value adjustments due to merger. As of March 31, 2015, the bank and all district associations exceeded all regulatory capital requirements.

Key financial condition comparisons:

	March 31, 2015	December 31, 2014
Members' equity to assets	**15.71%**	15.38%
Total liabilities to members' equity	**5.37:1**	5.50:1
Allowance for loan losses to total loans	**0.32%**	0.33%

OTHER

CONDITIONS IN THE TEXAS DISTRICT

Beneficial levels of winter precipitation fell across most parts of the Texas District during the first quarter of 2015; however, more rain is needed in parts of Texas and New Mexico to replenish ground moisture and stock tanks and lakes, as certain parts of these states remain under long-term drought conditions. Alabama, Mississippi and Louisiana, in general, have continued to experience plentiful levels of rainfall and soil moisture. Across the district, this has generally resulted in healthier pasture and range conditions, as well as sufficient moisture for the production of field crops. While the threat of drought remains, adequate topsoil and subsoil moisture levels across most parts of the district should continue to support pasture and range conditions, as well as promote optimism and planting activity during the planting season. Nevertheless, the current price environment for many principal crops could dampen total acres planted.

In the Texas District, planting season for most crops is now under way; however, crop progress for certain regions in the eastern states is behind the five-year average due to the wet conditions restricting field work. According to the U.S. Department of Agriculture's Prospective Plantings Report, farmers are expected to more heavily allocate acres to soybeans, sorghum and peanuts. The expected changes to the allocation of acres can primarily be attributed to changes in the price relationships for alternative crops, the related crop inputs and changes to the U.S. Farm Bill. Nevertheless, both cotton and corn acreage should continue to represent a relatively sizable portion of the total acres that will be allocated in the Texas District. Looking forward to the early summer months, the focus will be on growing conditions and the impact on harvested acres, yields and, ultimately, price. Farmers in the district continue to use risk management tools, such as programs under the U.S. Farm Bill, multi-peril crop insurance, and forward, futures and options contracts.

Across most of the district, reduced feed prices, coupled with the continuation of historically high protein prices, have had a positive impact on the livestock, poultry and dairy industries. The cattle industry continues to experience contracted herd levels, due to the previous prolonged drought conditions in the U.S. Plains states. However, cattle ranchers have begun the process of expanding their herds through increased cow and heifer retention. While cattle feedlots continue to manage through the effects of smaller herds, elevated beef prices and a strong corn crop have aided profitability. Most recently, dairy prices have softened; however, producers had most recently benefited from very strong milk prices, allowing many dairy producers to strengthen their balance sheet before moving into the next cycle of expansion. In addition, lower corn and hay costs remain supportive of dairymen profits. Given the limited supplies of meat, caused by the recent reduction in the cattle herd, the prior effects of the porcine virus on pork production and the continued decline in feed costs, poultry integrators were able to maintain strong margins. As livestock producers manage profitability, risk management of operations will continue to provide protection from commodity price volatility and the threat of rising production costs.

Labor markets are generally improving, and the housing and construction sector continues to recover. Global supply and demand dynamics remain supportive of the agricultural concentrations in the district loan portfolio, which is expected to contribute to the preservation of credit quality. As always, weather conditions, as well as other macro-economic forces, such as oil prices, unemployment and foreign demand, might impact portfolio profitability going forward. Moreover, job growth in certain areas of the Texas District could be adversely impacted by lower oil prices, and, if such prices persist over the medium to long term, land values in those areas might decline. However, the district continues to be supported by strong credit quality, appropriate collateral positions, adequate levels of capital and well-balanced portfolio diversification.

ASSOCIATION MERGERS

In 2014, there were two mergers affecting four district associations. The mergers of Lone Star, ACA and Texas Land Bank, ACA, forming Lone Star, ACA, and of Texas AgFinance and AgriLand, Farm Credit Services, forming Texas Farm Credit Services, became effective January 1, 2014. The mergers were accounted for under the acquisition method of accounting under generally accepted accounting principles. As of January 1, 2014, the number of affiliated associations in the district decreased from 17 to 15, consisting of 14 ACAs and one FLCA.

During the first quarter of 2015, there was one merger affecting two district associations. The merger of AgTexas Farm Credit Services and Great Plains Ag Credit, ACA, forming AgTexas Farm Credit Services, became effective January 1, 2015. The merger was accounted for under the acquisition method of accounting under generally accepted accounting principles. As of January 1, 2015, the number of affiliated associations in the district decreased from 15 to 14, consisting of 13 ACAs and one FLCA.

RATING AGENCY ACTIONS

Fitch Ratings Actions

On April 21, 2015, Fitch Ratings affirmed the bank's long-term and short-term issuer default ratings (IDRs) at "AA-" and "F1+," respectively, with a stable outlook. Fitch also affirmed the bank's subordinated debt rating at "A+," its noncumulative perpetual preferred stock rating at "BBB" and its support floor at "AA-." Fitch also affirmed the Farm Credit System's long-term and short-term issuer default ratings (IDRs) at "AAA" and "F1+," respectively, with a stable outlook, and its support floor at "AAA." As a government-sponsored entity, the System benefits from implicit government support, and thus, the ratings and rating outlook are directly linked to the U.S. sovereign rating. The affirmation of the System banks' IDRs reflect their prudent, conservative credit culture, their unique funding advantage and their structural second-loss position on the majority of their loan portfolio.

Moody's Investor Service Rating Actions

On April 30, 2015, Moody's Investors Service affirmed the bank's issuer rating at "Aa3," its subordinated debt rating at "A2," and its noncumulative preferred stock rating at "Baa1 (hyb)," with a stable outlook. The Aa3 issuer rating reflects the bank's "a1" baseline credit assessment (BCA), very high cooperative support from the other Federal Farm Credit Banks and moderate support from the U.S. Government, which has an "Aaa," stable outlook. The bank's subordinated debt and preferred stock ratings incorporate the bank's BCA, very high cooperative support from the other Federal Farm Credit Banks and notching reflecting the debt's relative positions in the bank's capital structure. The bank's BCA incorporates its solid capital levels, adequate risk-adjusted profitability and liquidity as well as the benefits associated with its lending to related associations and their strong capital levels. The "a1" BCA is one of Moody's highest assessments of any financial institution, both domestically and globally.

REGULATORY MATTERS

On January 20, 2015, FCA published a proposed rule amending existing regulations related to mergers, consolidations of System institutions that clarify the merger review and approval process, identify when the 60-day review period begins, require that only independent tabulators be authorized to validate ballots and tabulate stockholder votes on mergers and consolidations, require institutions to hold information meetings if circumstances warrant, explain the reconsideration petition process, and specify the record date list to be provided to stockholders who wish to file a reconsideration petition. The period for submission of public comments expired on April 20, 2015.

On February 26, 2015, FCA published a final rule amending its regulations related to System bank and association disclosures to shareholders and investors. Under the proposed rule, there would be no reporting requirement for employees who are not senior officers and who would not otherwise be considered "highly compensated employees" except for payments related to the change(s) in value of the employee's qualified pension plan, provided that the plans were available to all employees on the same basis at the time the employees joined the plans. The regulation became effective April 29, 2015.

As of March 31, 2015, FCA had enforcement actions in place against one association in the district, which has not had, and is not expected to have, a significant impact on the bank.

The undersigned certify that we have reviewed the March 31, 2015, quarterly report of the Farm Credit Bank of Texas and district associations, that the report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information included herein is true, accurate and complete to the best of our knowledge and belief.

Larry R. Doyle
Chief Executive Officer

James F. Dodson
Chairman of the Board

Amie Pala
Chief Financial Officer

May 8, 2015

Controls and Procedures

The Farm Credit Bank of Texas (bank) maintains a system of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information disclosed by us in our quarterly and annual reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions to be made regarding disclosure. With management's input, the chief executive officer and chief financial officer evaluated our disclosure controls and procedures as of the end of and for the period covered by this quarterly report, and have concluded that our disclosure controls and procedures are effective as of that date. This evaluation relies upon the evaluations made by the individual associations and the related certifications they provide to the bank.

The bank also maintains a system of internal controls. The "internal controls" as defined by the American Institute of Certified Public Accountants' Codification of Statement on Auditing Standards, AU Section 319, means a process — effected by the board of directors, management and other personnel — designed to provide reasonable assurance regarding the achievement of objectives in the reliability of our financial reporting, the effectiveness and efficiency of operations, and of compliance with applicable laws and regulations. We continually assess the adequacy of our internal control over financial reporting and enhance our controls in response to internal control assessments and internal and external audit and regulatory recommendations. There have been no significant changes in our internal controls or in other factors that could significantly affect such controls subsequent to the date we carried out our evaluations.

Larry R. Doyle	Amie Pala
Chief Executive Officer	Chief Financial Officer

May 8, 2015

Combined Balance Sheets

(dollars in thousands)	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Cash	**$ 327,441**	$ 437,201
Federal funds sold	**20,875**	22,086
Investment securities	**4,188,131**	4,125,477
Loans (includes $40,055 and $40,532 at fair value held under fair value option)	**19,668,041**	19,349,652
Less allowance for loan losses	**62,024**	64,357
Net loans	**19,606,017**	19,285,295
Accrued interest receivable	**152,907**	150,084
Other property owned	**21,120**	32,710
Premises and equipment, net	**90,542**	93,316
Other assets	**166,922**	189,319
Total assets	**$ 24,573,955**	$ 24,335,488
Liabilities and members' equity		
Liabilities		
Bonds and notes, net	**$ 20,238,295**	$ 19,991,281
Subordinated debt	**50,000**	50,000
Accrued interest payable	**43,481**	40,213
Patronage distributions payable	**18,343**	147,436
Preferred stock dividends payable	**20,063**	20,063
Other liabilities	**343,484**	343,930
Total liabilities	**20,713,666**	20,592,923
Commitments and contingent liabilities (Note 4)		
Members' equity		
Preferred stock	**600,000**	600,000
Capital stock and participation certificates	**60,481**	60,242
Allocated retained earnings	**542,892**	542,896
Unallocated retained earnings	**2,570,799**	2,557,039
Additional paid-in-capital	**224,625**	149,179
Accumulated other comprehensive loss	**(138,508)**	(166,791)
Total members' equity	**3,860,289**	3,742,565
Total liabilities and members' equity	**$ 24,573,955**	$ 24,335,488

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

Combined Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	Quarter Ended March 31, 2015	2014
Interest Income		
Investment securities	**$ 15,237**	$12,731
Loans	**206,236**	192,005
Total interest income	**221,473**	204,736
Interest Expense		
Bonds, notes and subordinated debt	**45,541**	40,929
Notes payable and other	**6,651**	6,448
Total interest expense	**52,192**	47,377
Net interest income	**169,281**	157,359
Provision (negative provision) for loan losses	**3,460**	(1,819)
Net interest income after provision (negative provision) for loan losses	**165,821**	159,178
Noninterest Income		
Patronage income	**5,829**	5,024
Loan-related fees	**8,271**	5,739
(Loss) gain on loans held under fair value option	**(90)**	564
Miscellaneous income, net	**4,276**	1,020
Total noninterest income	**18,286**	12,347
Noninterest Expense		
Salaries and employee benefits	**49,334**	37,542
Occupancy and equipment	**7,615**	6,783
Insurance Fund premiums	**5,644**	4,735
Gains on other property owned	**(3,735)**	(789)
Other operating expenses	**18,820**	16,837
Total noninterest expense	**77,678**	65,108
Income before provision for income taxes	**106,429**	106,417
Provision for income taxes	**136**	171
Net Income	**106,293**	106,246
Other comprehensive income		
Change in pension and postretirement benefit plans	**4,437**	1,903
Change in unrealized gain on investments	**23,536**	6,988
Change in cash flow derivative instruments	**310**	282
Total other comprehensive income	**28,283**	9,173
Comprehensive Income	**$ 134,576**	$ 115,419

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

Combined Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Preferred Stock	Capital Stock	Allocated Retained Earnings	Unallocated Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 600,000	$ 59,225	$ 474,197	$ 2,529,030	$ 22,737	$ (110,954)	$ 3,574,235
Net income	-	-	-	106,246	-	-	106,246
Other comprehensive income	-	-	-	-	-	9,173	9,173
Capital stock/participation certificates issued	-	1,185	-	-	-	-	1,185
Capital stock/participation certificates and allocated retained earnings retired	-	(1,100)	(2)	-	-	-	(1,102)
Impact of association merger:							
Equity issued upon association merger	-	4,306	-	-	147,281	-	151,587
Equity retired upon association merger	-	(4,306)	(2,434)	(143,772)	-	-	(150,512)
Net reduction in surplus due to net fair value adjustment	-	-	-	(1,075)	-	-	(1,075)
Preferred stock dividends accrued	-	-	-	(5,062)	-	-	(5,062)
Patronage distributions							
Cash	-	-	-	(6,126)	-	-	(6,126)
Members' equity	-	-	746	(746)	-	-	-
Balance at March 31, 2014	$ 600,000	$ 59,310	$ 472,507	$ 2,478,495	$ 170,018	$ (101,781)	$ 3,678,549
Balance at December 31, 2014	$ 600,000	$ 60,242	$ 542,896	$ 2,557,039	$ 149,179	$ (166,791)	$ 3,742,565
Net income	-	-	-	106,293	-	-	106,293
Other comprehensive income	-	-	-	-	-	28,283	28,283
Capital stock/participation certificates issued	-	930	-	-	-	-	930
Capital stock/participation certificates and allocated retained earnings retired	-	(691)	(4)	-	-	-	(695)
Impact of association merger:							
Equity issued upon association merger	-	1,041	-	-	75,446	-	76,487
Equity retired upon association merger	-	(1,041)	-	(75,446)	-	-	(76,487)
Net reduction in surplus due to net fair value adjustments related to merger	-	-	-	(2,916)	-	-	(2,916)
Preferred stock dividends accrued	-	-	-	(5,062)	-	-	(5,062)
Patronage distributions							
Cash	-	-	-	(9,109)	-	-	(9,109)
Balance at March 31, 2015	**$ 600,000**	**$ 60,481**	**$ 542,892**	**$ 2,570,799**	**$ 224,625**	**$ (138,508)**	**$ 3,860,289**

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

Combined Statements of Cash Flows

(unaudited)

(dollars in thousands)	Three Months Ended March 31, 2015	2014
Operating activities		
Net income	**$ 106,293**	$106,246
Reconciliation of net income to net cash provided by operating activities		
Provision (negative provision) for loan losses	**3,460**	(1,819)
Carrying value adjustments on other property owned	**72**	(69)
Depreciation and amortization on premises and equipment	**3,165**	2,690
Accretion of net discount on loans	**3,302**	2,410
Amortization and accretion on debt instruments	**(845)**	(911)
Amortization of net premium (discount) on investment securities	**607**	(730)
(Decrease) increase in fair value on loans under fair value option	**90**	(564)
Gains from sales of other property owned, net	**(3,614)**	(819)
Losses (gains) from sales of premises and equipment	**2,008**	(945)
Allocated equity patronage from System bank	**(13,498)**	(13,083)
Increase in accrued interest receivable	**(2,823)**	(851)
Decrease in other assets	**36,205**	10,855
Increase in accrued interest payable	**3,268**	1,114
Decrease in other liabilities	**(1,669)**	(8,357)
Net cash provided by operating activities	**136,021**	95,167
Investing activities		
Net decrease in federal funds sold	**1,211**	597
Investment securities		
Purchases	**(258,515)**	(307,887)
Proceeds from maturities, calls and prepayments	**218,790**	202,181
Increase in loans, net	**(328,070)**	(259,639)
Proceeds from sales of other property owned, net	**15,817**	4,819
Proceeds from sales of premises and equipment	**1,034**	494
Expenditures for premises and equipment	**(3,433)**	(5,673)
Net cash used in investing activities	**(353,166)**	(365,108)
Financing activities		
Bonds and notes issued	**2,829,306**	2,643,463
Bonds and notes retired	**(2,581,447)**	(2,389,674)
Increase in advanced conditional payments	**5,471**	3,777
Fair value adjustment related to association merger	**(2,916)**	(1,075)
Capital stock and participation certificates issued	**930**	1,185
Capital stock and participation certificates retired	**(695)**	(1,269)
Cash dividends on preferred stock	**(5,062)**	(5,062)
Cash patronage distributions paid	**(138,202)**	(118,081)
Net cash provided by financing activities	**107,385**	133,264
Net decrease in cash	**(109,760)**	(136,677)
Cash at beginning of year	**437,201**	610,056
Cash at end of quarter	**327,441**	473,379
Supplemental schedule of noncash investing and financing activities		
Financed sales of other property owned	**$ 890**	$ 930
Loan assets transferred to other property owned	**1,575**	1,980
Net increase in unrealized gains on investment securities	**23,536**	6,988
Cash dividends or patronage distributions payable	**18,343**	21,179
Supplemental information		
Cash paid for:		
Interest	**$ 48,924**	$ 46,263
Income taxes	**2**	-

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

Notes to Combined Financial Statements

Unaudited (dollar amounts in thousands unless otherwise noted)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying combined financial statements (financial statements) include the accounts of the Farm Credit Bank of Texas (bank) and the accounts of its affiliated Agricultural Credit Associations (ACAs) and Federal Land Credit Association (FLCA) in the Farm Credit System (System). The ACAs and FLCA are collectively referred to as associations, and the bank and its affiliated associations are collectively referred to as the district. The financial statements also reflect the investments in and allocated earnings of the service organizations in which the bank has a partial ownership interest. All significant transactions and balances between the bank and the associations have been eliminated in combination.

The significant accounting policies followed and the financial condition and results of operations of the combined bank and associations as of and for the year ended December 31, 2014, are contained in the 2014 Annual Report to stockholders (Annual Report). These unaudited first quarter 2015 financial statements should be read in conjunction with the Annual Report.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations of the district, and conform to generally accepted accounting principles. The preparation of these financial statements requires the use of management's estimates. The results of operations for any interim period are not necessarily indicative of the results to be expected for the entire year.

In August 2014, the Financial Accounting Standards Board (FASB) issued guidance entitled "Presentation of Financial Statements — Going Concern." The guidance governs management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. The guidance becomes effective for the first interim reporting period within the annual reporting periods after December 15, 2016. The bank and associations are in the process of reviewing contracts to determine the effect, if any, on their financial condition or results of operations.

NOTE 2 — INVESTMENTS

Investments Available for Sale

The bank's available-for-sale investments include a liquidity portfolio and a portfolio of other investments. The majority of the liquidity portfolio's mortgage-backed securities were federal agency-guaranteed collateralized mortgage-backed securities, including Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities. The other investments portfolio consists of Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) purchased during the second quarter of 2010, the first quarter of 2012 and the second quarter of 2014. A summary of the amortized cost and fair value of investment securities available for sale, at March 31, 2015, and December 31, 2014, is as follows:

Investments in the bank's available-for-sale liquidity portfolio at March 31, 2015:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agency-guaranteed debt	$ 156,326	$ 721	$ (1,706)	$ 155,341	1.45 %
Corporate debt	271,510	600	(225)	271,885	0.80
Federal agency collateralized mortgage-backed securities					
GNMA	1,611,234	10,654	(6,771)	1,615,117	1.54
FNMA and FHLMC	1,943,535	10,454	(4,677)	1,949,312	1.35
Other collateralized mortgage-backed securities	4	-	-	4	2.42
Asset-backed securities	83,372	6	(32)	83,346	0.61
Total available-for-sale investments	**$ 4,065,981**	**$ 22,435**	**$ (13,411)**	**$ 4,075,005**	**1.38** %

Investments in the bank's available-for-sale other investments portfolio at March 31, 2015:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 79,208	$ -	$ (1,589)	$ 77,619	4.17 %

Investments in the bank's available-for-sale liquidity portfolio at December 31, 2014:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agency-guaranteed debt	$ 159,334	$ -	$ (4,144)	$ 155,190	1.45 %
Corporate debt	241,516	313	(299)	241,530	0.76
Federal agency collateralized mortgage-backed securities					
GNMA	1,708,215	6,212	(13,010)	1,701,417	1.54
FNMA and FHLMC	1,829,075	6,174	(9,355)	1,825,894	1.36
Other collateralized mortgage-backed securities	7	-	-	7	2.42
Asset-backed securities	81,806	10	(46)	81,770	0.06
Total available-for-sale investments	**$ 4,019,953**	**$ 12,709**	**$ (26,854)**	**$ 4,005,808**	**1.39** %

Investments in the bank's available-for-sale other investments portfolio at December 31, 2014:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 82,539	$ -	$ (1,956)	$ 80,583	4.17 %

The following tables summarize the contractual maturity, fair value, amortized cost and weighted average yield of available-for-sale investments at March 31, 2015:

Investments in the bank's available-for-sale liquidity portfolio:

	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years	Total
Agency-guaranteed debt	$ -	$ -	$ 76,250	$ 79,091	$ 155,341
Corporate debt	110,101	161,784	-	-	271,885
Federal agency collateralized mortgage-backed securities					
GNMA	-	1,147	17,535	1,596,435	1,615,117
FNMA and FHLMC	-	25,181	191,415	1,732,716	1,949,312
Other collateralized mortgage-backed securities	-	-	-	4	4
Asset-backed securities	-	77,809	-	5,537	83,346
Total fair value	**$ 110,101**	**$ 265,921**	**$ 285,200**	**$ 3,413,783**	**$ 4,075,005**
Total amortized cost	**$ 109,998**	**$ 265,224**	**$ 284,583**	**$ 3,406,176**	**$ 4,065,981**
Weighted average yield	**0.59%**	**0.94%**	**1.75%**	**1.40%**	**1.38%**

Investments in the bank's available-for-sale other investments portfolio:

	Due after one year through five years
Fair value of agricultural mortgage-backed securities	$ 77,619
Total amortized cost	**$ 79,208**
Weighted average yield	**4.17%**

Other-Than-Temporarily Impaired Investments Evaluation

The following table shows the bank's available-for-sale liquidity portfolio investments by gross unrealized losses and fair value, aggregated by investment category and length of time, for the securities that have been in a continuous unrealized loss position at March 31, 2015. The continuous loss position is based on the date the impairment was first identified:

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency-guaranteed debt	$ 13,384	$ (69)	$ 90,523	$ (1,637)	$ 103,907	$ (1,706)
Corporate debt	22,347	(219)	14,993	(6)	37,340	(225)
Federal agency collateralized mortgage-backed securities						
GNMA	58,101	(199)	408,914	(6,572)	467,015	(6,771)
FNMA and FHLMC	192,740	(680)	400,206	(3,997)	592,946	(4,677)
Other collateralized mortgage-backed securities	-	-	4	-	4	-
Asset-backed securities	55,546	(32)	-	-	55,546	(32)
Total	**$ 342,118**	**$ (1,199)**	**$ 914,640**	**$ (12,212)**	**$ 1,256,758**	**$ (13,411)**

The district evaluates investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. Impairment is considered to be other than temporary if an entity (i) intends to sell the security, (ii) is more likely than not to be required to sell the security before recovering its cost or (iii) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). In the three months ended March 31, 2015, the district did not recognize any other-than-temporary impairment credit losses and no securities were identified as OTTI at March 31, 2015.

The following is a rollforward of the amount related to credit losses recognized for the three months ended March 31:

	2015	2014
Credit loss component, beginning of period	**$ -**	$ 454
Additions	-	-
Reductions	-	-
Credit loss component, end of period	**$ -**	$ 454

Held-to-Maturity Investments

The district's held-to-maturity investments consist of Farmer Mac guaranteed agricultural mortgage-backed securities and are held by district associations. A summary of the amortized cost and fair value of held-to-maturity investment securities at March 31, 2015, is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 35,507	$ 220	$ (175)	$ 35,552	4.63 %

The following table summarizes the contractual maturity, fair value, amortized cost and weighted average yield of the district's held-to-maturity investments at March 31, 2015:

		Due after one year through five years		Due after five years through 10 years		Total
Fair value of agricultural mortgage-backed securities	$	21,541	$	14,011	$	35,552
Total amortized cost	**$**	**21,335**	**$**	**14,172**	**$**	**35,507**
Weighted average yield		**5.07%**		**3.95%**		**4.63%**

NOTE 3 — LOANS AND RESERVES FOR CREDIT LOSSES

A summary of the district's loans follows:

		March 31, 2015		December 31, 2014
Real estate mortgage	**$**	**11,523,759**	$	11,399,205
Production and intermediate term		**2,339,378**		2,426,838
Loans to cooperatives		**231,781**		173,115
Processing and marketing		**2,714,975**		2,573,461
Farm-related business		**393,502**		382,888
Communication		**429,012**		341,026
Energy (rural utilities)		**1,234,707**		1,285,432
Water and waste disposal		**153,902**		154,499
Rural residential real estate		**270,202**		262,243
Agricultural export finance		**31,933**		120
Lease receivables		**3,688**		3,985
Loans to other financing institutions		**42,239**		38,919
Mission-related		**298,963**		307,921
	$	**19,668,041**	$	19,349,652

The bank's capital markets loan portfolio predominantly includes participations, syndications and purchased whole loans, along with other financing structures within our lending authorities. The bank also refers to the capital markets portfolio as participations purchased. In addition to purchasing loans from our district associations, which may exceed their hold limits, the bank actively pursues the purchase of participations and syndications originated outside of the district's territory by other System institutions, commercial banks and other lenders. These loans may be held as earning assets of the bank or sub-participated to the associations or to other System entities. The bank and associations purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration (FCA) regulations.

The following table presents information regarding the district's balances of participations purchased and sold, excluding syndications, at March 31, 2015:

	Other Farm Credit Institutions (Outside of the Texas District)		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 126,666	$ 151,020	$ 40,142	$ 19,015	$ 166,808	$ 170,035
Production and intermediate term	462,690	840,542	10,310	27,509	473,000	868,051
Agribusiness	1,489,027	29,078	46,510	1,783	1,535,537	30,861
Communication	429,708	-	-	-	429,708	-
Energy (rural utilities)	1,238,634	3,220	-	-	1,238,634	3,220
Water and waste disposal	134,530	-	-	-	134,530	-
Agricultural export finance	31,817	-	-	-	31,817	-
Lease receivables	3,474	-	22	-	3,496	-
Mission-related	5,042	-	4,347	-	9,389	-
Loans to other financing institutions	-	15,943	-	-	-	15,943
Direct note receivable from district associations	-	3,650,000	-	-	-	3,650,000
Total	**$ 3,921,588**	**$ 4,689,803**	**$ 101,331**	**$ 48,307**	**$ 4,022,919**	**$ 4,738,110**

The bank and associations are authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. ACPs which are held by the district but cannot be used to reduce outstanding loan balances, except at the direction of the borrower, are classified as other liabilities in the combined balance sheets. ACPs are not insured, and interest is generally paid by the associations on such balances. At March 31, 2015, ACPs netted against borrowers' related loan balances totaled $152,277 and ACPs included in other liabilities totaled $26,231, compared to $163,399 and $20,670, respectively, at December 31, 2014.

The bank has elected the fair value option for certain callable loans purchased on the secondary market at a significant premium. The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial assets. The fair value of loans held under the fair value option totaled $40,055 at March 31, 2015. Fair value is used for both the initial and subsequent measurement of the designated instrument, with the changes in fair value recognized in net income. On these instruments, the related contractual interest income and premium amortization are recorded as Interest Income in the Statements of Comprehensive Income. The remaining changes in fair value on these instruments are recorded as net gains (losses) in Noninterest Income on the Statements of Comprehensive Income. The fair value of these instruments is included in Level 2 in the fair value hierarchy for assets recorded at fair value on a recurring basis.

The following is a summary of the transactions on loans for which the fair value option has been elected for the three months ended March 31, 2015:

Balance at January 1, 2015	**$ 40,532**
Net losses on financial instruments under fair value option	**(90)**
Change in premium	**(387)**
Balance at March 31, 2015	**$ 40,055**

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	March 31, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	**$ 110,475**	$ 116,338
Production and intermediate term	**12,868**	11,995
Agribusiness	**5,501**	5,832
Rural residential real estate	**1,033**	961
Energy and water/waste disposal	**6,938**	7,023
Lease receivables	**28**	31
Total nonaccrual loans	**136,843**	142,180
Accruing restructured loans:		
Real estate mortgage	**22,767**	25,499
Production and intermediate term	**22,261**	22,252
Rural residential real estate	**193**	275
Mission-related	**6,163**	6,074
Total accruing restructured loans	**51,384**	54,100
Accruing loans 90 days or more past due:		
Real estate mortgage	**3,023**	704
Production and intermediate term	**2,930**	-
Agribusiness	**-**	1
Rural residential real estate	**8**	156
Mission-related	**1,511**	1,057
Total accruing loans 90 days or more past due	**7,472**	1,918
Total nonperforming loans	**195,699**	198,198
Other property owned	**21,120**	32,710
Total nonperforming assets	**$ 216,819**	$ 230,908

One credit quality indicator utilized by the bank and associations is the FCA Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	**96.6 %**	96.5 %
OAEM	**1.6**	1.7
Substandard/Doubtful	**1.8**	1.8
	100.0 %	100.0 %
Production and intermediate term:		
Acceptable	**96.5 %**	96.6 %
OAEM	**1.7**	1.8
Substandard/Doubtful	**1.8**	1.6
	100.0 %	100.0 %
Agribusiness:		
Acceptable	**98.6 %**	98.7 %
OAEM	**1.0**	1.0
Substandard/Doubtful	**0.4**	0.3
	100.0 %	100.0 %
Energy and water/waste disposal:		
Acceptable	**98.7 %**	98.7 %
OAEM	**0.8**	0.8
Substandard/Doubtful	**0.5**	0.5
	100.0 %	100.0 %
Communication:		
Acceptable	**99.7 %**	99.6 %
OAEM	**-**	-
Substandard/Doubtful	**0.3**	0.4
	100.0 %	100.0 %
Rural residential real estate:		
Acceptable	**97.5 %**	97.6 %
OAEM	**1.1**	1.0
Substandard/Doubtful	**1.4**	1.4
	100.0 %	100.0 %
Agricultural export finance:		
Acceptable	**100.0 %**	100.0 %
OAEM	**-**	-
Substandard/Doubtful	**-**	-
	100.0 %	100.0 %
Lease receivables:		
Acceptable	**93.2 %**	93.2 %
OAEM	**5.9**	5.9
Substandard/Doubtful	**0.9**	0.9
	100.0 %	100.0 %
Loans to other financing institutions:		
Acceptable	**100.0 %**	100.0 %
OAEM	**-**	-
Substandard/Doubtful	**-**	-
	100.0 %	100.0 %
Mission-related:		
Acceptable	**98.2 %**	98.3 %
OAEM	**-**	-
Substandard/Doubtful	**1.8**	1.7
	100.0 %	100.0 %
Total loans:		
Acceptable	**97.2 %**	97.1 %
OAEM	**1.4**	1.5
Substandard/Doubtful	**1.4**	1.4
	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) for the entire loan portfolio (including nonaccrual loans) as of:

March 31, 2015

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate mortgage	$ 63,512	$ 46,965	$ 110,477	$ 11,511,876	$ 11,622,353	$ 3,023
Production and intermediate term	22,753	6,507	29,260	2,332,177	2,361,437	2,930
Agribusiness	54	2,630	2,684	3,353,942	3,356,626	-
Communication	-	-	-	429,326	429,326	-
Energy and water/waste disposal	-	6,918	6,918	1,387,014	1,393,932	-
Rural residential real estate	2,836	204	3,040	268,320	271,360	8
Agricultural export finance	-	-	-	31,916	31,916	-
Lease receivables	-	-	-	3,758	3,758	-
Loans to other financing institutions	-	-	-	42,288	42,288	-
Mission-related	4,379	1,511	5,890	295,630	301,520	1,511
Total	**$ 93,534**	**$ 64,735**	**$ 158,269**	**$19,656,247**	**$19,814,516**	**$ 7,472**

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	Recorded Investment > 90 Days and Accruing
Real estate mortgage	$ 41,202	$ 60,345	$ 101,547	$ 11,396,150	$ 11,497,697	$ 704
Production and intermediate term	11,345	2,537	13,882	2,434,265	2,448,147	-
Agribusiness	8,775	2,498	11,273	3,131,936	3,143,209	1
Communication	-	-	-	341,312	341,312	-
Energy and water/waste disposal	4,916	2,086	7,002	1,438,602	1,445,604	-
Rural residential real estate	3,013	267	3,280	259,932	263,212	156
Agricultural export finance	-	-	-	120	120	-
Lease receivables	-	-	-	4,071	4,071	-
Loans to other financing institutions	-	-	-	38,966	38,966	-
Mission-related	1,108	1,057	2,165	308,795	310,960	1,057
Total	$ 70,359	$ 68,790	$ 139,149	$ 19,354,149	$ 19,493,298	$ 1,918

Additional impaired loan information is as follows:

	At March 31, 2015			At December 31, 2014		
Impaired loans with a related allowance for loan losses:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance	Related Allowance
Real estate mortgage	**$ 20,228**	**$ 22,623**	**$ 4,573**	$ 21,079	$ 23,508	$ 4,564
Production and intermediate term	**3,890**	**4,537**	**948**	4,029	4,838	1,542
Processing and marketing	**1,056**	**1,500**	**222**	1,071	1,577	237
Farm-related business	**915**	**4,840**	**138**	920	4,844	138
Energy and water/waste disposal	**6,938**	**6,938**	**5,500**	7,023	7,023	5,500
Rural residential real estate	**90**	**156**	**15**	114	173	17
Mission-related	**2,609**	**2,609**	**176**	2,612	2,612	176
Total	**$ 35,726**	**$ 43,203**	**$ 11,572**	$ 36,848	$ 44,575	$ 12,174
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 116,037**	**$ 133,528**	**$ -**	$ 121,462	$ 138,174	$ -
Production and intermediate term	**34,169**	**51,408**	**-**	30,218	47,394	-
Processing and marketing	**3,360**	**29,308**	**-**	3,668	29,614	-
Farm-related business	**170**	**726**	**-**	174	760	-
Energy and water/waste disposal	**-**	**22,730**	**-**	-	22,730	-
Rural residential real estate	**1,144**	**1,233**	**-**	1,278	1,370	-
Lease receivables	**28**	**28**	**-**	31	31	-
Mission-related	**5,065**	**8,654**	**-**	4,519	8,217	-
Total	**$ 159,973**	**$ 247,615**	**$ -**	$ 161,350	$ 248,290	$ -
Total impaired loans:						
Real estate mortgage	**$ 136,265**	**$ 156,151**	**$ 4,573**	$ 142,541	$ 161,682	$ 4,564
Production and intermediate term	**38,059**	**55,945**	**948**	34,247	52,232	1,542
Processing and marketing	**4,416**	**30,808**	**222**	4,739	31,191	237
Farm-related business	**1,085**	**5,566**	**138**	1,094	5,604	138
Energy and water/waste disposal	**6,938**	**29,668**	**5,500**	7,023	29,753	5,500
Rural residential real estate	**1,234**	**1,389**	**15**	1,392	1,543	17
Lease receivables	**28**	**28**	**-**	31	31	-
Mission-related	**7,674**	**11,263**	**176**	7,131	10,829	176
Total	**$ 195,699**	**$ 290,818**	**$ 11,572**	$ 198,198	$ 292,865	$ 12,174

	For the Three Months Ended			
	March 31, 2015		March 31, 2014	
Impaired loans with a related allowance for loan losses:	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Real estate mortgage	**$ 20,260**	**$ 56**	$ 38,780	$ 47
Production and intermediate term	**3,703**	**9**	21,416	3
Processing and marketing	**1,062**	**-**	2,038	-
Farm-related business	**916**	**-**	1,056	-
Energy and water/waste disposal	**6,953**	**-**	2,018	-
Rural residential real estate	**95**	**-**	117	1
Mission-related	**2,610**	**64**	2,534	49
Total	**$ 35,599**	**$ 129**	$ 67,959	$ 100
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 119,251**	**$ 1,301**	$ 100,542	$ 1,245
Production and intermediate term	**32,794**	**1,337**	25,898	678
Processing and marketing	**3,610**	**-**	4,206	-
Farm-related business	**171**	**3**	182	27
Rural residential real estate	**937**	**8**	1,403	7
Lease receivables	**30**	**-**	45	-
Mission-related	**4,857**	**88**	3,531	58
Total	**$ 161,650**	**$ 2,737**	$ 135,807	$ 2,015
Total impaired loans:				
Real estate mortgage	**$ 139,511**	**$ 1,357**	$ 139,322	$ 1,292
Production and intermediate term	**36,497**	**1,346**	47,314	681
Processing and marketing	**4,672**	**-**	6,244	-
Farm-related business	**1,087**	**3**	1,238	27
Energy and water/waste disposal	**6,953**	**-**	2,018	-
Rural residential real estate	**1,032**	**8**	1,520	8
Lease receivables	**30**	**-**	45	-
Mission-related	**7,467**	**152**	6,065	107
Total	**$ 197,249**	**$ 2,866**	$ 203,766	$ 2,115

At March 31, 2015, impaired loans of $35.7 million had a related specific allowance of $11.6 million, while the remaining $160.0 million of impaired loans had no related specific allowance as a result of adequate collateralization.

The average recorded investment in impaired loans for the three months ended March 31, 2015, was $197.2 million. The district recognized interest income of $2.9 million on impaired loans during the three months ended March 31, 2015.

A summary of changes in the allowance for loan losses and period-end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	Agricultural Export Finance	Lease Receivables	Loans to OFIs	Mission-Related	Total
Allowance for Loan Losses:											
Balance at December 31, 2014	$ 38,137	$ 10,404	$ 6,215	$ 716	$ 8,155	$ 472	$ -	$ 44	$ -	$ 214	$ 64,357
Charge-offs	(319)	(110)	-	-	-	(8)	-	-	-	-	(437)
Recoveries	141	161	183	-	-	-	-	-	-	-	485
Provision for credit losses	(2,645)	2,368	3,327	67	(41)	35	27	(2)	-	324	3,460
Adjustment due to merger	(1,013)	(1,224)	(125)	-	-	(1)	-	-	-	-	(2,363)
Other *	199	(613)	(3,097)	-	33	-	-	-	-	-	(3,478)
Balance at March 31, 2015	$ 34,500	$ 10,986	$ 6,503	$ 783	$ 8,147	$ 498	$ 27	$ 42	$ -	$ 538	$ 62,024
Individually evaluated for impairment	4,750	918	1,141	-	5,500	6	-	-	-	176	12,491
Collectively evaluated for impairment	29,745	10,037	5,362	783	2,647	492	27	42	-	362	49,497
Loans acquired with deteriorated credit quality	5	31	-	-	-	-	-	-	-	-	36
Balance at March 31, 2015	$ 34,500	$ 10,986	$ 6,503	$ 783	$ 8,147	$ 498	$ 27	$ 42	$ -	$ 538	$ 62,024
Balance at December 31, 2013	$ 42,429	$ 13,591	$ 11,654	$ 641	$ 5,222	$ 429	$ 7	$ 49	$ -	$ 142	$ 74,164
Charge-offs	(257)	(65)	(369)	-	-	(1)	-	-	-	-	(692)
Recoveries	39	909	55	-	57	-	-	-	-	-	1,060
Provision for credit losses	1,103	224	(3,215)	61	(130)	26	-	1	-	111	(1,819)
Adjustment due to merger	(1,696)	(194)	(88)	(2)	(241)	(24)	-	-	-	-	(2,245)
Other *	1,004	(164)	(54)	(5)	(11)	-	-	-	-	(26)	744
Balance at March 31, 2014	$ 42,622	$ 14,301	$ 7,983	$ 695	$ 4,897	$ 430	$ 7	$ 50	$ -	$ 227	$ 71,212
Individually evaluated for impairment	10,560	6,330	1,810	-	2,149	33	-	-	-	171	21,053
Collectively evaluated for impairment	32,062	7,971	6,173	695	2,748	397	7	50	-	56	50,159
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2014	$ 42,622	$ 14,301	$ 7,983	$ 695	$ 4,897	$ 430	$ 7	$ 50	$ -	$ 227	$ 71,212
Recorded Investments in Loans Outstanding:											
Ending balance at March 31, 2015	$ 11,622,353	$ 2,361,437	$ 3,356,626	$ 429,326	$ 1,393,932	$ 271,360	$ 31,916	$ 3,758	$ 42,288	$ 301,520	$ 19,814,516
Individually evaluated for impairment	$ 136,937	$ 37,074	$ 7,378	$ -	$ 6,939	$ 1,227	$ -	$ 28	$ -	$ 7,585	$ 197,168
Collectively evaluated for impairment	$ 11,481,432	$ 2,322,510	$ 3,349,105	$ 429,326	$ 1,386,993	$ 270,133	$ 31,916	$ 3,730	$ 42,288	$ 293,935	$ 19,611,368
Loans acquired with deteriorated credit quality	$ 3,984	$ 1,853	$ 143	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,980
Ending balance at March 31, 2014	$ 10,433,885	$ 1,838,043	$ 2,690,963	$ 297,997	$ 1,479,753	$ 205,412	$ 5,748	$ 4,393	$ 68,999	$ 200,476	$ 17,225,669
Individually evaluated for impairment	$ 207,735	$ 38,966	$ 75,603	$ 5,807	$ 2,122	$ 2,512	$ -	$ 58	$ -	$ -	$ 332,803
Collectively evaluated for impairment	$ 10,223,245	$ 1,797,652	$ 2,615,360	$ 292,190	$ 1,477,631	$ 202,900	$ 5,748	$ 4,335	$ 68,999	$ 200,476	$ 16,888,536
Loans acquired with deteriorated credit quality	$ 2,905	$ 1,425	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,330

* Reserve for losses on standby letters of credit and unfunded commitments recorded in other liabilities

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor’s financial difficulties grants a concession to the debtor that it would not otherwise consider. TDRs are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of March 31, 2015, the total recorded investment of TDR loans was $73,345, including $21,961 classified as nonaccrual and $51,384 classified as accrual, with specific allowance for loan losses of $2,725. Additional commitments to lend to borrowers whose loan terms have been modified in TDRs were $244 at March 31, 2015, and $285 at December 31, 2014.

The following table summarizes TDR loan balances by loan type:

	Loans Modified as TDRs		TDRs in Nonaccrual Status	
	March 31, 2015	December 31, 2014	**March 31, 2015**	December 31, 2014
Real estate mortgage	**$ 39,193**	$ 40,634	**$ 16,426**	$ 15,135
Production and intermediate term	**24,769**	25,571	**2,508**	3,319
Agribusiness	**3,022**	3,332	**3,022**	3,332
Rural residential real estate	**198**	279	**5**	4
Mission-related	**6,163**	6,074	**-**	-
Total	**$ 73,345**	$ 75,890	**$ 21,961**	$ 21,790

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the three months ended March 31, 2015, and 2014. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end after the restructuring.

For the three months ended March 31, 2015:

	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Real estate mortgage	$ 548	$ 544
Production and intermediate term	929	497
Total	$ 1,477	$ 1,041

For the three months ended March 31, 2014:

	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Real estate mortgage	$ 189	$ 184
Production and intermediate term	10	10
Rural residential real estate	190	222
Mission-related	941	955
Total	$ 1,330	$ 1,371

The predominant form of concession granted for troubled debt restructuring includes extension of the term and delayed payments. Other types of modifications include interest rate and principal reduction.

A payment default is defined as a payment that is 30 days past due after the date the loan was restructured. The following table presents information regarding troubled debt restructurings that occurred within the previous 12 months and for which there was a payment default during the period:

	Recorded Investment at March 31, 2015	Recorded Investment at March 31, 2014
Troubled debt restructurings that subsequently defaulted:		
Real estate mortgage	$ -	$ 233
Rural residential real estate	-	7
Total	$ -	$ 240

NOTE 4 — COMMITMENTS AND CONTINGENT LIABILITIES

The bank is primarily liable for its portion of Systemwide debt obligations. Additionally, the bank is jointly and severally liable for the consolidated Systemwide bonds and notes of the other System banks. Total consolidated bank and Systemwide obligations of the System at March 31, 2015, were approximately $222.2 billion.

In the normal course of business, the district has various outstanding commitments and contingent liabilities, including the possibility of actions against the district in which claims for monetary damages may be asserted. Management and legal counsel are not aware of any other pending lawsuits or actions. Upon the basis of current information, management and legal counsel are of the opinion that the ultimate liability, if any, resulting from lawsuits or other pending actions will not be material in relation to the financial position, results of operations or cash flows of the district.

NOTE 5 — FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2, “Summary of Significant Accounting Policies,” of the 2014 Annual Report for a more complete description.

Assets and liabilities recorded at fair value on a recurring basis at March 31, 2015, for each of the fair value hierarchy levels are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Federal funds	**$ 20,875**	$ -	$ 20,875	$ -
Investments available for sale:				
Corporate debt	**271,885**	-	271,885	-
Agency-guaranteed debt	**155,341**	-	155,341	-
Mortgage-backed securities	**3,564,433**	-	3,564,429	4
Asset-backed securities	**83,346**	-	83,346	-
Mission-related and other available-for-sale investments	**77,619**	-	-	77,619
Loans valued under the fair value option	**40,055**	-	40,055	-
Derivative assets	**575**	-	575	-
Assets held in nonqualified benefit trusts	**6,428**	6,428	-	-
Total assets	**$ 4,220,557**	$ 6,428	$ 4,136,506	$ 77,623
Liabilities:				
Standby letters of credit	**$ 1,652**	$ -	$ -	$ 1,652
Total liabilities	**$ 1,652**	$ -	$ -	$ 1,652

The following table represents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2015, to March 31, 2015:

	Assets					Liabilities	
	Corporate Debt	Agency-Guaranteed Debt	Mortgage-Backed Securities	Agricultural Mortgage-Backed Securities	Asset-Backed Securities	Standby Letters of Credit	Net
Available-for-sale investment securities:							
Balance at January 1, 2015	$ -	$ -	$ 7	$ 80,583	$ -	$ 993	$ 79,597
Net (losses) gains included in other comprehensive loss	-	-	-	367	-	-	367
Net losses included in earnings	-	-	-	-	-	-	-
Purchases, issuances and settlements	-	-	(3)	(3,331)	-	659	(3,993)
Transfers into Level 3	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-
Balance at March 31, 2015	$ -	$ -	$ 4	$ 77,619	$ -	$ 1,652	$ 75,971
The amount of losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held at March 31, 2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -

There were no transfers of assets or liabilities into or out of Level 1 from other levels during the three months ended March 31, 2015. Agricultural mortgage-backed securities are included in Level 3 due to limited activity or less transparency around inputs to their valuation. At March 31, 2015, Level 3 investments included one non-agency MBS. The liability for standby letters of credit is included in Level 3 due to a determination that their valuation, based on fees currently charged for similar agreements, may not closely correlate to a fair value for instruments that are not regularly traded in the secondary market.

Assets and liabilities measured at fair value on a nonrecurring basis at March 31, 2015, for each of the fair value hierarchy levels are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Assets:					
Loans	**$ 139,237**	$ -	$ -	$ 139,237	**$ (437)**
Other property owned	**23,467**	-	-	23,467	**3,736**
Total assets	**$ 162,704**	$ -	$ -	$ 162,704	**$ 3,299**

Assets and liabilities recorded at fair value on a recurring basis at December 31, 2014, for each of the fair value hierarchy levels are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Federal funds	$ 22,086	$ -	$ 22,086	$ -
Investments available for sale:				
Corporate debt	241,530	-	241,530	-
Agency-guaranteed debt	155,190	-	155,190	-
Mortgage-backed securities	3,527,318	-	3,527,311	7
Asset-backed securities	81,770	-	81,770	-
Mission-related and other available-for-sale investments	80,583	-	-	80,583
Loans valued under the fair value option	40,532	-	40,532	-
Derivative assets	748	-	748	-
Assets held in nonqualified benefit trusts	5,941	5,941	-	-
Total assets	$ 4,155,698	$ 5,941	$ 4,069,167	$ 80,590
Liabilities:				
Standby letters of credit	$ 993	$ -	$ -	$ 993
Total liabilities	$ 993	$ -	$ -	$ 993

The following table represents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2014, to March 31, 2014:

	Assets					Liabilities	
	Corporate Debt	Agency-Guaranteed Debt	Mortgage-Backed Securities	Agricultural Mortgage-Backed Securities	Asset-Backed Securities	Standby Letters of Credit	Net
Balance at January 1, 2014	$ 15,000	$ 26,949	$ 7,529	$ 97,423	$ 1,157	$ -	$ 148,058
Net gains (losses) included in other comprehensive loss	-	29	(175)	523	18	-	395
Purchases, issuances and settlements	-	(195)	98,896	(4,659)	(179)	-	93,863
Transfers into Level 3	-	-	-	-	-	1,003	(1,003)
Transfers out of Level 3	(15,000)	(17,582)	-	-	-	-	(32,582)
Balance at March 31, 2014	$ -	$ 9,201	$ 106,250	$ 93,287	$ 996	$ 1,003	$ 208,731
The amount of losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held at March 31, 2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -

There were no transfers of assets or liabilities into or out of Level 1 from other levels during the three months ended March 31, 2014. Agricultural mortgage-backed securities are included in Level 3 due to limited activity or less transparency around inputs to their valuation. At March 31, 2014, Level 3 investments included three agency MBS and one agency-guaranteed debt instrument due to the fact that their valuations were based on Level 3 criteria (broker quotes) and certain non-agency MBS and non-agency ABS backed by home equity. In the first three months of 2014, two agency-guaranteed debt instruments and one corporate debt instrument which had previously been included in Level 3 were valued using independent third-party valuation services using Level 2 criteria and were, accordingly, transferred from Level 3 to Level 2. The liability for standby letters of credit was transferred into Level 3 during the first quarter of 2014 due to a determination that their valuation, based on fees currently charged for similar agreements, may not closely correlate to a fair value for instruments that are not regularly traded in the secondary market. For the three months ended March 31, 2014, all transfers into and out of Level 3 were related to sources of pricing information. Valuations subsequent to purchase which are obtained from independent third party services utilizing Level 2 criteria were the basis for transfers out of Level 3.

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2014, for each of the fair value hierarchy levels are summarized below:

	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses)**
Assets:					
Loans	$ 135,831	$ -	$ -	$ 135,831	$ (6,423)
Other property owned	36,344	-	-	36,344	13,806
Total assets	$ 172,175	$ -	$ -	$ 172,175	$ 7,383

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Balance Sheet for each of the fair value hierarchy values are summarized as follows:

	March 31, 2015					December 31, 2014				
		Fair Value Measurements Using					Fair Value Measurements Using			
	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:										
Cash	**$ 327,441**	$ 327,441	$ -	$ -	$ 327,441	$ 437,201	$ 437,201	$ -	$ -	$ 437,201
Mission-related and other held-to-maturity investments	**35,508**	-	-	35,552	35,552	39,086	-	-	38,985	38,985
Net loans	**19,426,725**	-	-	19,553,186	19,553,186	19,108,932	-	-	19,166,500	19,166,500
Total assets	**$ 19,789,674**	$ 327,441	$ -	$ 19,588,738	$ 19,916,179	$ 19,585,219	$ 437,201	$ -	$ 19,205,485	$ 19,642,686
Liabilities:										
Systemwide debt securities and other notes	**$ 20,238,295**	$ -	$ -	$ 20,375,056	$ 20,375,056	$ 19,991,281	$ -	$ -	$ 20,062,271	$ 20,062,271
Subordinated debt	**50,000**	-	-	54,196	54,196	50,000	-	-	53,989	53,989
	$ 20,288,295	$ -	$ -	$ 20,429,252	$ 20,429,252	$ 20,041,281	$ -	$ -	$ 20,116,260	$ 20,116,260

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," of the Annual Report, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the bank and its affiliated associations' assets and liabilities:

Investments Available for Sale

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include certain mortgage-backed and asset-backed securities. To estimate the fair value of investments, the bank obtains prices from third-party pricing services. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified as Level 3 primarily consist of certain non-agency mortgage-backed and asset-backed securities valued using independent third-party valuation services. Also included in the district's Level 3 assets are its investments in Farmer Mac AMBS.

Derivative Assets and Liabilities

The bank's derivative positions are valued using internally developed models that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy. Such derivatives include basic interest rate swaps and cash flow derivatives. The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable inputs, primarily the LIBOR swap curve and volatility assumptions about future interest rate movements.

Assets Held in Nonqualified Benefit Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Standby Letters of Credit

The fair value of letters of credit approximates the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans

Fair value is estimated by discounting the expected future cash flows using the district's current interest rates at which similar loans would be made to borrowers with similar credit risk. As the discount rates are based on the district's loan rates as well as on management estimates, management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale.

For purposes of determining fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows and discount rates reflecting appropriate credit risk are determined separately for each individual pool.

For loans which are valued at fair value under the fair value pricing option, if quoted prices are not available in an active market, the fair value is estimated using pricing models, quoted prices for similar instruments received from pricing services or discounted cash flows. To estimate the fair value of these instruments, the bank obtains prices from third-party pricing services. Generally, these loans would be classified as Level 2.

For certain loans evaluated for impairment, the fair value is based upon the underlying collateral since the loans were collateral-dependent loans for which real estate is the collateral. These loans are generally classified as Level 3. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Subordinated Debt

The fair value of these obligations is determined by discounting expected future cash flows based on the Treasury yield curve.

Bonds and Notes

Systemwide debt securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between System debt instruments and Treasury securities. We estimate an appropriate yield-spread taking into consideration selling group member (banks and securities dealers) yield indications, observed new government-sponsored enterprise debt security pricing, and pricing levels in the related U.S. dollar interest rate swap market.

Other Property Owned

Other property owned (OPO) is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Sensitivity to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices may not be available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information About Recurring and Nonrecurring Level 3 Fair Value Measurements

	Valuation Technique(s)	**Unobservable Input**
Mortgage-backed securities	Discounted cash flow	Prepayment rate Probability of default Loss severity
Asset-backed securities	Discounted cash flow	Prepayment rate Probability of default Loss severity
Mission-related investments	Discounted cash flow	Prepayment rates

Information About Recurring and Nonrecurring Level 2 Fair Value Measurements

	Valuation Technique(s)	**Input**
Federal funds sold	Carrying value	Par/principal
Investment securities available for sale	Quoted prices Discounted cash flow	Price for similar asset Constant prepayment rate Appropriate interest rate yield curve
Loans held under the fair value option	Quoted prices Discounted cash flow	Price for similar instruments Constant prepayment rate Appropriate interest rate yield curve
Interest rate caps	Discounted cash flow	Appropriate interest rate yield curve Annualized volatility

Information About Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Actual balances
Loans	Discounted cash flow	Prepayment forecasts Appropriate interest rate yield curve Probability of default Loss severity
Systemwide debt securities and subordinated debt	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

NOTE 6 — DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The bank maintains an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The bank's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect the net interest margin. The bank considers the strategic use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

Although the bank held no interest rate swaps at March 31, 2015, it may enter into these derivative transactions to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities or better manage liquidity. Interest rate swaps allow the bank to raise long-term borrowings at fixed rates and swap them into floating rates to better match the repricing characteristics of earning assets. Under interest rate swap arrangements, the bank agrees with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating-rate index.

The bank may purchase interest rate options, such as caps, in order to reduce the impact of rising interest rates on its floating-rate debt. The notional amounts of the interest rate caps held and the amount of activity during the period are summarized in the following table:

	Interest Rate Caps
Balance at January 1, 2015	$ 615,000
Additions	-
Maturities/Amortizations	(150,000)
Balance at March 31, 2015	**$ 465,000**

To minimize the risk of credit losses, the bank deals with counterparties that have an investment grade or better credit rating from a major rating agency, and also monitors the credit standing and levels of exposure to individual counterparties. In addition, substantially all derivative contracts are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of exposure of one party to another are reached, which thresholds may vary, depending on the counterparty's credit rating. The bank does not anticipate nonperformance by any of these counterparties. However, derivative contracts must be reflected in the financial statements on a gross basis regardless of the netting agreement. At March 31, 2015, and December 31, 2014, the bank's exposure to counterparties was $575 and $748, respectively. At March 31, 2015, and December 31, 2014, the bank had posted no securities as collateral, nor had any counterparty been required to post collateral.

Cash Flow Hedges

The bank's interest rate caps at March 31, 2015, and December 31, 2014, which are designated and qualify as a cash flow hedge, all meet the standards for accounting treatment that presume full effectiveness. Thus, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive loss.

Derivatives designated as hedging instruments	Balance Sheet Location	Fair Value 3/31/2015	Fair Value 12/31/2014
Interest rate caps	Other assets	$ 575	$ 748

Derivatives designated as hedging instruments	Amount of Loss Recognized in OCL on Derivatives (Effective Portion)		Location of Gain Reclassification from AOCI into Income	Amount of Gain Reclassified from AOCL into Income (Effective Portion)	
	March 31,			March 31,	
	2015	2014		2015	2014
Interest rate caps	$ (172)	$ (288)	Interest expense	$ 482	$ 570

NOTE 7 — EMPLOYEE BENEFIT PLANS

Employees of the bank and district associations participate in either the defined benefit retirement plan or a defined contribution plan (DC Plan) and are eligible to participate in the district's 401(k) plan. Employer contributions to the DC Plan and 401(k) plan are expensed as incurred. The multiemployer structure of the district's defined benefit pension plan results in the recording of this plan only upon combination.

The following table summarizes the components of net periodic benefit costs for the district's defined benefit pension plan and for other postretirement benefit costs for the three months ended March 31:

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2015	2014	**2015**	2014
Service cost	**$ 1,332**	$ 1,235	**$ 387**	$ 311
Interest cost	**3,969**	3,979	**780**	679
Expected return on plan assets	**(5,140)**	(5,079)	**-**	-
Amortization of prior service costs	**1**	9	**(245)**	-
Amortization of net loss	**4,552**	2,022	**218**	(307)
Amortization of loss due to curtailment/termination	**-**	-	**-**	24
Net periodic benefit cost	**$ 4,714**	$ 2,166	**$ 1,140**	$ 707

As of March 31, 2015, contributions of $10.7 million have been made to the defined benefit pension plan. The district presently anticipates no additional contributions to fund its pension plan in 2015.

NOTE 8 — INCOME TAXES

The bank and its affiliated associations did not have any uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

NOTE 9 — ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss (AOCL) includes the accumulated balance of certain gains, losses or costs for which values are included in assets or liabilities on the balance sheets, but which have not yet been recognized in earnings. For the district, these elements include unrealized gains or losses on the bank's available-for-sale investment portfolio, elements of certain pension and retirement benefit changes and changes in the value of cash flow derivative instruments.

The following table summarizes the changes in the balance of the components of AOCL for the three months ended March 31, 2015:

	Total	Unrealized (Loss) Gain on Securities	Pension and Other Post-Retirement Benefit Plans	Cash Flow Derivative Instruments
Balance, January 1, 2015	$ (166,791)	$ (16,100)	$ (147,996)	$ (2,695)
Change in unrealized losses on available-for-sale securities				
Net decrease in unrealized losses on investment securities	23,536	23,536		
Net decrease in unrealized losses on securities	23,536	23,536		
Change in pension and postretirement benefit plans				
Change due to effect of merger	216		216	
Amounts amortized into net periodic expense:				
Amortization of prior service credits	(550)		(550)	
Amortization of net losses	4,771		4,771	
Net change in pension and postretirement benefit plans	4,437		4,437	
Change in cash flow derivative instruments				
Unrealized losses on interest rate caps	(172)			(172)
Reclassification of loss recognized in interest expense	482			482
Net change in cash flow derivative instruments	310			310
Total other comprehensive income	**28,283**	**23,536**	**4,437**	**310**
Balance, March 31, 2015	**$ (138,508)**	**$ 7,436**	**$ (143,559)**	**$ (2,385)**

The following table summarizes the changes in the balance of the components of AOCL for the three months ended March 31, 2014:

	Total	Unrealized (Loss) Gain on Securities	Pension and Other Post-Retirement Benefit Plans	Cash Flow Derivative Instruments
Balance, January 1, 2014	$ (110,954)	$ (30,303)	$ (76,199)	$ (4,452)
Change in unrealized gains on available-for-sale securities				
Net decrease in unrealized gains on investment securities	6,979	6,979		
Decrease in noncredit portion of other-than-temporary impairment (OTTI) losses	9	9		
Net decrease in unrealized gains on securities	6,988	6,988		
Change in pension and postretirement benefit plans				
Change due to effect of merger	326		326	
Amounts amortized into net periodic expense:				
Amortization of prior service credits	(487)		(487)	
Amortization of net losses	2,064		2,064	
Net change in pension and postretirement benefit plans	1,903		1,903	
Change in cash flow derivative instruments				
Unrealized losses on interest rate caps	(288)			(288)
Reclassification of loss recognized in interest expense	570			570
Net change in cash flow derivative instruments	282			282
Total other comprehensive income	9,173	6,988	1,903	282
Balance, March 31, 2014	$ (101,781)	$ (23,315)	$ (74,296)	$ (4,170)

The following table summarizes reclassifications from AOCL to the Combined Statements of Comprehensive Income for the three months ended March 31:

Component of AOCL	Amount Reclassified from AOCL		Affected Line in the Statement of Comprehensive Income
	2015	2014	
Amortization of net charges on pension and postretirement benefit plans	**4,221**	1,577	Salaries and employee benefits
Amortization on cash flow hedges	**482**	570	Interest expense
Total reclassifications	**$ 4,703**	$ 2,147	

NOTE 10 — ASSOCIATION MERGER

Effective January 1, 2015, Great Plains Ag Credit, ACA headquartered in Amarillo, Texas, merged into AgTexas Farm Credit Services, ACA headquartered in Lubbock, Texas. The merged association is using the AgTexas Farm Credit Services, ACA name and is headquartered in Lubbock, Texas. The primary reason for the merger was based on a determination that the combined organizations should be financially and operationally stronger than the respective associations on a stand-alone basis. The acquisition method of accounting, required for mergers of cooperatives occurring after January 1, 2009, was used in the mergers.

The acquisition method of accounting is required for mergers of cooperatives occurring after January 1, 2009. AgTexas Farm Credit Services, ACA accounted for the transaction by using its historical information and accounting policies and recording the identifiable assets and liabilities of Great Plains Ag Credit, ACA as of the acquisition date of January 1, 2015, at their respective fair values. The associations operate for the mutual benefit of their borrowers and other customers and not for the benefit of any other equity investors. As such, their capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and their bylaws, the associations can issue stock only at its par value of $5 per share, the stock is not tradable and the stock can be retired only for the lesser of par value or book value. In these and other respects, the shares of the acquired entity that were converted into shares of surviving entity had identical rights and attributes. For this reason, the conversion of stock pursuant to the merger occurred at a one-for-one exchange ratio. Management believes that because the stock in each association is fixed in value, the stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, the surviving entity identified and estimated the acquisition date fair value of the equity interest of the acquired entity instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed from the acquired entity, were measured based on various estimates using assumptions that the surviving entity’s management believes are reasonable utilizing information available at the merger date. Use of different estimates and judgments could yield materially different results. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the merger. As a result, the surviving entity’s management determined goodwill was immaterial and therefore recorded no goodwill. The excess value received by the surviving entity from the acquired entity over par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

The fair value of the identifiable assets purchased was $547.1 million and the fair value of liabilities assumed was $458.7 million, resulting in $88.4 million fair value of net assets purchased. The assets acquired included gross loans at fair value of $518.8 million with a contractual amount of $525.3 million. As of January 1, 2015, the gross contractual amount of loans not expected to be collected was $2.4 million.

NOTE 11 — SUBSEQUENT EVENTS

The district has evaluated subsequent events through May 8, 2015, which is the date the financial statements were issued. There are no other significant subsequent events requiring disclosure as of May 8, 2015.

NOTE 12 — BANK-ONLY FINANCIAL DATA

Condensed financial information for the bank follows. All significant transactions and balances between the bank and associations are eliminated in combination.

Balance sheet data	**March 31, 2015**	December 31, 2014
Cash	**$ 322,690**	$ 428,361
Federal funds sold and overnight investments	**20,875**	22,086
Investment securities	**4,152,624**	4,086,391
Loans	**13,611,602**	13,259,837
Less allowance for loan losses	**10,247**	10,112
Net loans	**13,601,355**	13,249,725
Accrued interest receivable	**47,303**	44,429
Other property owned	**438**	10,310
Premises and equipment, net	**21,986**	25,197
Other assets	**126,524**	147,051
Total assets	**$ 18,293,795**	$ 18,013,550
Bonds and notes	**$ 16,588,295**	$ 16,341,281
Subordinated debt	**50,000**	50,000
Accrued interest payable	**41,325**	38,122
Preferred stock dividends payable	**20,063**	20,063
Other liabilities	**45,012**	84,863
Total liabilities	**16,744,695**	16,534,329
Preferred stock	**600,000**	600,000
Capital stock	**233,468**	233,468
Retained earnings	**711,637**	665,575
Accumulated other comprehensive income (loss)	**3,995**	(19,822)
Total shareholders' equity	**1,549,100**	1,479,221
Total liabilities and shareholders' equity	**$ 18,293,795**	$ 18,013,550

	Three Months Ended March 31,	
Statement of income data	**2015**	2014
Interest income	**$ 102,242**	$ 92,870
Interest expense	**45,541**	40,929
Net interest income	**56,701**	51,941
Provision for loan losses	**871**	(3)
Net interest income after provision for loan losses	**55,830**	51,944
Noninterest income	**14,394**	10,615
Noninterest expense	**18,123**	17,753
Net income	**52,101**	44,806
Other comprehensive income:		
Change in postretirement benefit plans	**(29)**	(48)
Change in fair value of investments	**23,536**	6,988
Change in cash flow derivative instruments	**310**	282
Total other comprehensive income	**23,817**	7,222
Comprehensive Income	**$ 75,918**	$ 52,028