Delta Agricultural Credit Association

Quarterly Report
June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in Delta Agricultural Credit Association. To request free copies of the AgriBank and combined AgriBank and Affiliated Associations' financial reports or additional copies of our report, contact us at at P.O. Box 750, Dermott, AR 71638, (870) 538-3258. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at financialreporting@agribank.com. The AgriBank and combined AgriBank and Affiliated Associations' financial reports are also available through AgriBank's website at www.agribank.com.

FORWARD-LOOKING INFORMATION

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

AGRICULTURAL AND ECONOMIC CONDITIONS

Our territory is located in rural southeast Arkansas. Crop, timber, and poultry production are the primary agricultural enterprises that influence our portfolio. Governmental, economic, environmental, and social forces have become more volatile. Globalization, low interest rates, and volatility continue to be major forces that have attracted buyers to this area seeking ownership of farm and timberland for economic stability. The lack of the new farm bill implementation has not had a negative impact on production agriculture. Lower crop commodity prices still provide enough income to service typical farm debt.

There is a poultry expansion occurring in the western portion of our territory. Our FLCA provided financing to build on-farm poultry facilities, which supported this poultry expansion. Favorable feed prices and integrator changes have spurred the demand for more on-farm poultry facilities. The trend in new construction of poultry facilities has begun to slow.

Cropland and timberland are at historical high market values. Currently, buyers continue to support this market level. Presently, our Farm Credit territory is enjoying a favorable economic environment.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $52.3 million at June 30, 2015, an increase of $10.9 million from December 31, 2014. The increase was primarily due to poultry enterprise financing, in our real estate mortgage portfolio, along with seasonal credit needs of our commercial loan borrowers.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2014. Adversely classified loans increased to 0.4% of the portfolio at June 30, 2015, while we had no adversely classified loans at December 31, 2014. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At June 30, 2015, $27.2 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

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

As of:	June 30 2015	December 31 2014
Loans:		
Nonaccrual	**$ 45**	$ 45
Accruing restructured	**--**	--
Accruing loans 90 days or more past due	**142**	--
Total risk loans	**187**	45
Other property owned	**--**	--
Total risk assets	**$ 187**	$ 45
Total risk loans as a percentage of total loans	**0.4%**	0.1%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.1%
Total delinquencies as a percentage of total loans	**0.4%**	0.1%

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

The increase in accruing loans 90 days or more past due was primarily due to one past due loan that is in the process of collection and is well secured. Our accounting policy requires accruing loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, all accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

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

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

As of:	June 30 2015	December 31 2014
Allowance as a percentage of:		
Loans	**0.2%**	0.2%
Nonaccrual loans	**220.0%**	153.3%
Total risk loans	**52.9%**	153.3%

The allowance as a percentage of nonaccrual loans increased due to an increase in provision expense, which was primarily related to an increase in our mortgage loan portfolio. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2015.

RESULTS OF OPERATIONS

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

For the six months ended June 30	2015	2014
Net income	**$ 245**	$ 159
Return on average assets	**1.1%**	1.0%
Return on average members' equity	**5.7%**	3.9%

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

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

For the six months ended June 30	2015	2014	Increase (decrease) in net income
Net interest income	$ 858	$ 621	$ 237
Provision for loan losses	30	--	(30)
Patronage income	45	41	4
Other (loss) income, net	(36)	7	(43)
Operating expenses	592	510	(82)
Net income	$ 245	$ 159	$ 86

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

	2015 vs 2014
Changes in volume	$ 292
Changes in interest rates	(55)
Net change	$ 237

The change in the provision for loan losses was related to the increase in our mortgage loan portfolio.

The change in other income, net was primarily related to wholesale undisbursed loan fees.

The change in operating expenses was primarily related to salaries and benefit expense along with an increase in purchased services expense, primarily related to audit fees.

FUNDING, LIQUIDITY, AND CAPITAL

Our note payable matured on March 31, 2015 and was renewed for $56.0 million with a maturity date of March 31, 2016. The note payable will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as the Association is a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

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

Total members' equity increased $226 thousand from December 31, 2014 primarily due to net income for the period and a decrease in capital stock and participation certificates.

Farm Credit Administration regulations require us to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. Refer to Note 6 in our 2014 Annual Report for a more complete description of these ratios. As of June 30, 2015, the ratios were as follows:

- The permanent capital ratio was 23.6%.
- The total surplus ratio was 18.3%.
- The core surplus ratio was 16.8%.

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

EMPLOYEE BENEFIT PLANS

Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. Due to a change in actuarial assumptions approved by the AgriBank District Coordinating Committee in May 2015, the amount of the total District employer contributions expected to be paid into the pension plans during 2015 increased from $57.9 million to $62.7 million. Our allocated share of these expected pension contributions increased from $86 thousand to $93 thousand. The assumption changes were updated to more closely align with recent historical actuals and included modifying the annual salary rate increases, retirement rates, unused sick leave and optional forms of benefit payments elected. Refer to Note 8 in our 2014 Annual Report for a more complete description of our Employee Benefit Plans.

CERTIFICATION

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

Mike Norris
Chairperson of the Board
Delta Agricultural Credit Association

Mark Kaufman
Chief Executive Officer
Delta Agricultural Credit Association

Mary Ann Johnson
Chief Financial Officer
Delta Agricultural Credit Association

August 6, 2015

CONSOLIDATED STATEMENTS OF CONDITION

Delta Agricultural Credit Association
(in thousands)
(Unaudited)

As of:		June 30 2015		December 31 2014
ASSETS				
Loans	**$**	**52,276**	$	41,364
Allowance for loan losses		**99**		69
Net loans		**52,177**		41,295
Investment in AgriBank, FCB		**1,196**		1,196
Accrued interest receivable		**1,029**		832
Other assets		**260**		279
Total assets	**$**	**54,662**	$	43,602
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**41,601**	$	31,481
Accrued interest payable		**170**		141
Patronage distribution payable		**--**		120
Other liabilities		**4,090**		3,285
Total liabilities		**45,861**		35,027
Contingencies and commitments		**--**		--
MEMBERS' EQUITY				
Protected members' equity		**13**		13
Capital stock and participation certificates		**1,808**		1,827
Unallocated surplus		**6,980**		6,735
Total members' equity		**8,801**		8,575
Total liabilities and members' equity	**$**	**54,662**	$	43,602

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

CONSOLIDATED STATEMENTS OF INCOME

Delta Agricultural Credit Association
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2015**	2014	**2015**	2014
Interest income	**$ 633**	$ 448	**$ 1,170**	$ 811
Interest expense	**170**	100	**312**	190
Net interest income	**463**	348	**858**	621
Provision for loan losses	**--**	--	**30**	--
Net interest income after provision for loan losses	**463**	348	**828**	621
Other income				
Patronage income	**25**	23	**45**	41
Financially related services income	**3**	2	**4**	3
Fee loss, net	**(21)**	--	**(43)**	--
Miscellaneous income, net	**--**	--	**3**	4
Total other income	**7**	25	**9**	48
Operating expenses				
Salaries and employee benefits	**198**	167	**396**	333
Other operating expenses	**100**	82	**196**	177
Total operating expenses	**298**	249	**592**	510
Income before income taxes	**172**	124	**245**	159
Provision for income taxes	**--**	--	**--**	--
Net income	**$ 172**	$ 124	**$ 245**	$ 159

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Delta Agricultural Credit Association
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2013	$ 13	$ 1,706	$ 6,255	$ 7,974
Net income	--	--	159	159
Capital stock and participation certificates issued	--	212	--	212
Capital stock and participation certificates retired	--	(139)	--	(139)
Balance at June 30, 2014	$ 13	$ 1,779	$ 6,414	$ 8,206
Balance at December 31, 2014	$ 13	$ 1,827	$ 6,735	$ 8,575
Net income	**--**	**--**	**245**	**245**
Capital stock and participation certificates issued	**--**	**216**	**--**	**216**
Capital stock and participation certificates retired	**--**	**(235)**	**--**	**(235)**
Balance at June 30, 2015	**$ 13**	**$ 1,808**	**$ 6,980**	**$ 8,801**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements present the consolidated financial results of Delta Agricultural Credit Association (the parent) and Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

As of:	June 30, 2015			December 31, 2014		
		Amount	%		Amount	%
Real estate mortgage	$	34,065	65.2%	$	28,835	69.7%
Production and intermediate term		17,955	34.3%		12,281	29.7%
Agribusiness		210	0.4%		200	0.5%
Other		46	0.1%		48	0.1%
Total	$	52,276	100.0%	$	41,364	100.0%

The other category is comprised of rural residential real estate loans.

Delinquency

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

As of June 30, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	$ --	$ --	$ --	$ 34,843	$ 34,843	$ --
Production and intermediate term	--	187	187	18,014	18,201	142
Agribusiness	--	--	--	215	215	--
Other	--	--	--	46	46	--
Total	$ --	$ 187	$ 187	$ 53,118	$ 53,305	$ 142

As of December 31, 2014	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	$ --	$ --	$ --	$ 29,532	$ 29,532	$ --
Production and intermediate term	45	--	45	12,361	12,406	--
Agribusiness	--	--	--	210	210	--
Other	--	--	--	48	48	--
Total	$ 45	$ --	$ 45	$ 42,151	$ 42,196	$ --

Risk Loans

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

As of:	June 30 2015	December 31 2014
Volume with specific reserves	**$ --**	$ --
Volume without specific reserves	**187**	45
Total risk loans	**$ 187**	$ 45
Total specific reserves	**$ --**	$ --
For the six months ended June 30	**2015**	2014
Income on accrual risk loans	**$ 1**	$ --
Income on nonaccrual loans	**--**	--
Total income on risk loans	**$ 1**	$ --
Average risk loans	**$ 71**	$ --

The increase in total risk loans is due to one accruing loan 90 days or more past that is in the process of collection and is well secured.

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

Allowance for Loan Losses

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

Six months ended June 30	2015	2014
Balance at beginning of year	**$ 69**	$ 70
Provision for loan losses	**30**	--
Loan recoveries	**--**	1
Loan charge-offs	**--**	(9)
Balance at end of period	**$ 99**	$ 62

The increase in allowance for loan losses was related to $30 thousand provision expense, recorded in the first quarter of 2015, reflecting the increase in mortgage loan volume.

NOTE 3: CONTINGENCIES AND COMMITMENTS

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

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

NOTE 4: FAIR VALUE MEASUREMENTS

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

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

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. As of June 30, 2015 we had no impaired loans. Information on assets measured at fair value on a non-recurring basis follows (in thousands):

	As of December 31, 2014				Six months ended June 30, 2014
	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Impaired loans	$ --	$ 48	$ --	$ 48	$ 4

Valuation Techniques

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

NOTE 5: SUBSEQUENT EVENTS

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