Delta Agricultural Credit Association

Quarterly Report
September 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:

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FORWARD-LOOKING INFORMATION

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

AGRICULTURAL AND ECONOMIC CONDITIONS

Our territory is located in rural southeast Arkansas. Crop, timber, and poultry production are the primary agricultural enterprises that influence our association's 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 new farm bill will soon be implemented to provide a safety net for field crop production.

Cropland and timberland are at historical high market values even though crops and timber prices have declined. Buyers continue to support this strong real estate market level. Presently, our farm credit territory is enjoying a less favorable field crop and timber economic environment. Poultry production expansion has slowed but the economic environment is still strong.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $55.8 million at September 30, 2015, an increase of $14.5 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 September 30, 2015, while we had no adversely classified loans at December 31, 2014.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At September 30, 2015, $26.6 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:	**September 30 2015**	December 31 2014
Loans:		
Nonaccrual	**$ 222**	$ 45
Accruing restructured	**--**	--
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**222**	45
Other property owned	**--**	--
Total risk assets	**$ 222**	$ 45
Total risk loans as a percentage of total loans	**0.4%**	0.1%
Nonaccrual loans as a percentage of total loans	**0.4%**	0.1%
Total delinquencies as a percentage of total loans	**0.3%**	0.1%

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

The increase in nonaccrual loans was mainly due to one past due loan that is well secured. Nonaccrual loans remained at an acceptable level at September 30, 2015 and 34.7% of our nonaccrual loans were current.

Allowance for Loan Losses

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

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

As of:	**September 30 2015**	December 31 2014
Allowance as a percentage of:		
Loans	**0.2%**	0.2%
Nonaccrual loans	**44.1%**	153.3%
Total risk loans	**44.1%**	153.3%

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

RESULTS OF OPERATIONS

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

For the nine months ended September 30	**2015**	2014
Net income	**$ 552**	$ 414
Return on average assets	**1.5%**	1.5%
Return on average members' equity	**8.4%**	6.7%

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

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

For the nine months ended September 30	2015	2014	Increase (decrease) in net income
Net interest income	**$ 1,419**	$ 1,093	**$ 326**
Provision for loan losses	**30**	--	**(30)**
Patronage income	**77**	71	**6**
Other income, net	**(46)**	7	**(53)**
Operating expenses	**868**	757	**(111)**
Net income	**$ 552**	$ 414	**$ 138**

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

	2015 vs 2014
Changes in volume	**$ 426**
Changes in interest rates	**(100)**
Changes in nonaccrual income and other	**--**
Net change	**$ 326**

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.

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 benefits expense along with an increase in purchased services expense, primarily related to audit fees.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matured on 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 September 30, 2015 or December 31, 2014.

Total members' equity increased $492 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 certain level for our permanent capital ratio, total surplus ratio, and core surplus ratio. Refer to Note 6 in our 2014 Annual Report for a more complete description of these ratios. The following table summarizes the regulatory minimums and our actual results for the regulatory ratios:

As of	Regulatory Minimums	September 30 2015	December 31 2014
Permanent capital ratio	7.0%	**20.0%**	23.3%
Total surplus ratio	7.0%	**15.6%**	17.8%
Core surplus ratio	3.5%	**14.7%**	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 have reviewed the September 30, 2015 Quarterly Report of Delta Agricultural Credit Association, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

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

November 5, 2015

CONSOLIDATED STATEMENTS OF CONDITION

Delta Agricultural Credit Association
(in thousands)
(Unaudited)

As of:	September 30 2015	December 31 2014
ASSETS		
Loans	**$ 55,850**	$ 41,364
Allowance for loan losses	**98**	69
Net loans	**55,752**	41,295
Investment in AgriBank, FCB	**1,196**	1,196
Accrued interest receivable	**1,243**	832
Other assets	**240**	279
Total assets	**$ 58,431**	$ 43,602
LIABILITIES		
Note payable to AgriBank, FCB	**$ 46,311**	$ 31,481
Accrued interest payable	**213**	141
Patronage distribution payable	**--**	120
Other liabilities	**2,840**	3,285
Total liabilities	**49,364**	35,027
Contingencies and commitments	**--**	--
MEMBERS' EQUITY		
Protected members' equity	**12**	13
Capital stock and participation certificates	**1,768**	1,827
Unallocated surplus	**7,287**	6,735
Total members' equity	**9,067**	8,575
Total liabilities and members' equity	**$ 58,431**	$ 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		Nine Months Ended	
For the period ended September 30	**2015**	2014	**2015**	2014
Interest income	**$ 774**	$ 600	**$ 1,944**	$ 1,411
Interest expense	**213**	128	**525**	318
Net interest income	**561**	472	**1,419**	1,093
Provision for loan losses	**--**	--	**30**	--
Net interest income after provision for loan losses	**561**	472	**1,389**	1,093
Other income				
Patronage income	**32**	30	**77**	71
Financially related services income	**--**	--	**4**	3
Fee loss, net	**(10)**	--	**(53)**	0
Miscellaneous income, net	**--**	--	**3**	4
Total other income	**22**	30	**31**	78
Operating expenses				
Salaries and employee benefits	**197**	165	**593**	498
Other operating expenses	**79**	82	**275**	259
Total operating expenses	**276**	247	**868**	757
Income before income taxes	**307**	255	**552**	414
Provision for income taxes	**--**	--	**--**	--
Net income	**$ 307**	$ 255	**$ 552**	$ 414

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	--	--	414	414
Capital stock and participation certificates issued	--	338	--	338
Capital stock and participation certificates retired	--	(198)	--	(198)
Balance at September 30, 2014	$ 13	$ 1,846	$ 6,669	$ 8,528
Balance at December 31, 2014	$ 13	$ 1,827	$ 6,735	$ 8,575
Net income	**--**	**--**	**552**	**552**
Capital stock and participation certificates issued	**--**	**252**	**--**	**252**
Capital stock and participation certificates retired	**(1)**	**(311)**	**--**	**(312)**
Balance at September 30, 2015	**$ 12**	**$ 1,768**	**$ 7,287**	**$ 9,067**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The Consolidated Financial Statements present the consolidated financial results of 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:	**September 30, 2015**			December 31, 2014		
		Amount	%		Amount	%
Real estate mortgage	**$**	**35,792**	**64.1%**	$	28,835	69.7%
Production and intermediate term		**19,804**	**35.5%**		12,281	29.7%
Agribusiness		**210**	**0.4%**		200	0.5%
Other		**44**	**--**		48	0.1%
Total	**$**	**55,850**	**100.0%**	$	41,364	100.0%

The other category is primarily 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 September 30, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	**$ --**	**$ --**	**$ --**	**$ 36,759**	**$ 36,759**
Production and intermediate term	**--**	**145**	**145**	**19,927**	**20,072**
Agribusiness	**--**	**--**	**--**	**218**	**218**
Other	**--**	**--**	**--**	**44**	**44**
Total	**$ --**	**$ 145**	**$ 145**	**$ 56,948**	**$ 57,093**

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
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

There were no loans 90 days or more past due and still accruing interest at September 30, 2015 or December 31, 2014.

Risk Loans

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

As of:	September 30 2015	December 31 2014
Volume with specific reserves	**$ --**	$ --
Volume without specific reserves	**222**	45
Total risk loans	**$ 222**	$ 45
Total specific reserves	**$ --**	$ --
For the nine months ended September 30	**2015**	2014
Income on accrual risk loans	**$ 2**	$ --
Income on nonaccrual loans	**--**	--
Total income on risk loans	**$ 2**	$ --
Average risk loans	**$ 101**	$ 180

The increase in nonaccrual loans was mainly due to one past due loan that is well secured.

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

Troubled Debt Restructurings (TDRs)

There were no TDRs that were outstanding at September 30, 2015 or December 31, 2014. In addition, there were no TDRs that occurred during the nine months ended September 30, 2015 and 2014.

Allowance for Loan Losses

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

Nine months ended September 30	2015	2014
Balance at beginning of period	**$ 69**	$ 70
Provision for loan losses	**30**	--
Loan recoveries	**--**	2
Loan charge-offs	**(1)**	(9)
Balance at end of period	**$ 98**	$ 63

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 September 30, 2015 or December 31, 2014.

Non-Recurring Basis

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

	As of September 30, 2015				**Nine months ended September 30, 2015**
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total (Losses)
Impaired loans	**$ --**	**$ --**	**$ --**	**$ --**	**$ (1)**
	As of December 31, 2014				Nine months ended September 30, 2014
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	$ --	$ --	$ --	$ --	$ 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 November 5, 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.