2014 ANNUAL REPORT

Part of the Farm Credit System

Message From the Chairman of the Board

Dear Stockholder,

On behalf of the Board of Directors of Louisiana Land Bank, ACA, I am pleased to report that 2014 was a year of continued financial progress coupled with evolving organizational change. The association enjoyed several note-worthy achievements during the year, including:

- Net earnings totaled $11.61 million, up over $2.43 million, or 26 percent, compared to 2013.
- Loan closings were $143.59 million and exceeded our business plan target by 20 percent.
- Net accruing loan volume at year end grew by some $16 million, or 2.63 percent, and average net accruing loan volume increased by 3.68 percent.
- Loan portfolio quality remained strong with acceptable assets exceeding 97 percent, nonearning assets consisting of nonaccrual loans and acquired property declining to under 1 percent, and past due loans averaging less than .5 percent during the year.
- Our permanent capital ratio increased to 19.54 percent compared to 18.52 percent at the end of 2013.
- Operating expenses declined by over $664 thousand, or 6.22 percent, compared to 2013.
- We are in full compliance with our General Financing Agreement with the Farm Credit Bank of Texas and in good standing with our regulator, the Farm Credit Administration.

As a result of the strong 2014 earnings and positive capital position of the Association, the Board has approved a cash patronage payment totaling $4.50 million that will be paid to stockholders during the second quarter of 2015. This cash patronage compares very favorably to the 2013 patronage payout of $3.00 million and the 2012 patronage payment of $1.70 million. The patronage to be paid from 2014 earnings will reduce our typical customer's effective interest rate by some 80 basis points and is a tangible benefit of doing business with a successful cooperative.

Additionally, stockholders approved a board-recommended reduction in the Association's stock requirement during 2014. With this constructive change in our capitalization bylaws, we were able to return nearly $530 thousand in excess stock to our stockholders in late 2014 and reduce net borrowing costs for all of our customers going forward.

2014 marked the first full year of working together for our senior management team led by CEO Stephen Austin. Under his able leadership, our team continued to streamline credit delivery processes, enhance administrative operations and strengthen risk management functions. Key policies and procedures were updated, and increased emphasis was placed on timely effective customer service. Our marketing and business development activities were also refocused in order to better position the Association for future growth and success.

The Board recognizes the impressive results achieved by our staff during 2014, and we are very appreciative of their collective efforts in providing the high-quality customer service, important agribusiness industry knowledge and focused personal commitment that positively differentiate our association from our competition. We especially honor Michael Wright, Winnsboro branch manager, who retired at the end of 2014 with over 37 years of service. Good banking requires good people, and Michael is just one example of the many talented dedicated professionals on our employee team. We believe that our staff continues to proactively meet the everyday challenges in our marketplace as we strive to be the preeminent agribusiness lender in Louisiana.

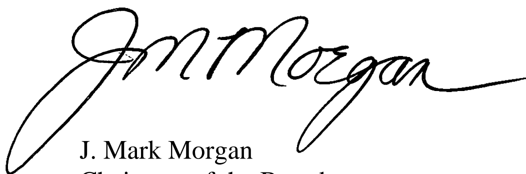
This past year brought some significant changes to our Board as well. Several years ago the Board adopted a director age limit of 75. As a result of that age limit, long-time directors Ernest Girouard and Bobby Stanley will be leaving the board after the 2015 director elections. Dr. Girouard has served as Board Chairman for a number of years, and Mr. Stanley has chaired our Audit Committee while also serving as Board Vice Chairman. Both men have given countless hours to effectively discharging their fiduciary duties to our stockholders, particularly during the challenging times brought on by the recent economic recession, while always providing strong leadership and direction for our Board and our staff. We are indebted to both of them for their unwavering devotion to our Association, and their wisdom and guidance will surely be missed.

As part of our governance transition process, I was elected Board Chairman and Jack Dailey was elected Vice Chairman. Outside director and CPA Cecelia Hoyt moved into the position of Audit Committee Chairperson. While we are all relatively new to these leadership posts, we are strongly committed to performing our new duties to the best of our respective abilities while also seeking opportunities for individual director growth and enhanced overall Board effectiveness.

Even with the downturn in some agricultural commodity prices over the past year, our Board and our management team remain confident in the bright future of agriculture, agribusiness and the rural communities in Louisiana. Our stockholders can help assure the future success of our Association by referring your family members, friends and neighbors to us and by using the association for all of your financing needs including funds for land purchases, buildings, land improvements, equipment, machinery and operating lines of credit.

We thank you for your business relationship with Louisiana Land Bank, and we look forward to serving you well as we move toward the celebration of the 100th anniversary of the creation of the Farm Credit System. We wish you all a very productive and prosperous year in 2015.

Sincerely,



J. Mark Morgan
Chairman of the Board

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REPORT OF MANAGEMENT

The consolidated financial statements of Louisiana Land Bank, ACA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) appropriate in the circumstances. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (Bank) and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who conduct a review of internal controls solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS). The Association is also examined by the Farm Credit Administration (FCA).

The Board of Directors (Board) has overall responsibility for the Association's systems of internal control and financial reporting. The Board consults regularly with management and reviews the results of the audits and examinations referred to previously.

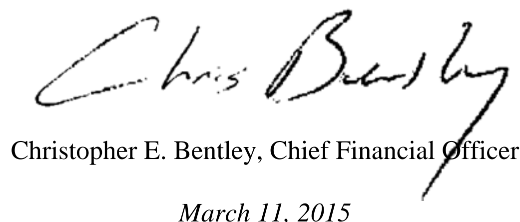
The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of his or her knowledge or belief.

F. Stephen Austin, Chief Executive Officer

March 11, 2015

James Mark Morgan, Chairman, Board of Directors

March 11, 2015



Christopher E. Bentley, Chief Financial Officer

March 11, 2015

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of Cecelia A. Hoyt – chairman, Henry Capdeboscq, Jr., Grady Coburn, John L. "Jack" Dailey and Bobby E. Stanley. In 2014, 15 committee meetings were held. The Committee oversees the scope of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on the Association's website. The Committee approved the appointment of PricewaterhouseCoopers LLP for 2014.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with GAAP in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PricewaterhouseCoopers LLP is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with GAAS in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing the processes.

In this context, the Committee reviewed and discussed the Association's audited consolidated financial statements for the year ended December 31, 2014 (audited consolidated financial statements) with management and PricewaterhouseCoopers LLP. The Committee also reviews with PricewaterhouseCoopers LLP the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PricewaterhouseCoopers LLP's and the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PricewaterhouseCoopers LLP its independence from the Association. The Committee also reviewed the nonaudit services provided by PricewaterhouseCoopers LLP and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PricewaterhouseCoopers LLP such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board include the audited consolidated financial statements in the Association's Annual Report to Stockholders for the year ended December 31, 2014.

Audit Committee Members

Cecelia A. Hoyt, Chairman
Henry Capdeboscq, Jr.
Grady Coburn
John L. "Jack" Dailey
Bobby E. Stanley

March 11, 2015

LOUISIANA LAND BANK, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2014	2013	2012	2011	2010
Balance Sheet Data					
Assets					
Cash	**$ 70**	$ 50	$ 1,056	$ 125	$ 3,204
Loans	**627,120**	611,195	594,658	667,475	773,312
Less: allowance for loan losses	**5,203**	5,313	9,892	10,348	23,482
Net loans	**621,917**	605,882	584,766	657,127	749,830
Investment in and receivable from the Farm Credit Bank of Texas	**10,978**	11,877	12,443	16,412	13,980
Other property owned, net	**719**	1,551	7,097	6,635	11,493
Other assets	**8,276**	8,214	8,741	10,691	12,400
Total assets	**$ 641,960**	$ 627,574	$ 614,103	$ 690,990	$ 790,907
Liabilities					
Obligations with maturities of one year or less	**$ 9,751**	$ 6,918	$ 3,431	$ 3,243	$ 2,584
Obligations with maturities greater than one year	**500,933**	495,401	490,506	576,271	667,171
Total liabilities	**510,684**	502,319	493,937	579,514	669,755
Members' Equity					
Capital stock and participation certificates	**2,481**	2,900	2,854	3,025	3,111
Unallocated retained earnings	**129,598**	122,482	118,002	108,853	118,085
Accumulated other comprehensive loss	**(803)**	(127)	(690)	(402)	(44)
Total members' equity	**131,276**	125,255	120,166	111,476	121,152
Total liabilities and members' equity	**$ 641,960**	$ 627,574	$ 614,103	$ 690,990	$ 790,907
Statement of Income Data					
Net interest income	**$ 18,209**	$ 17,553	$ 17,508	$ 18,929	$ 18,490
Provision for loan losses	**(13)**	(370)	(1,026)	(15,825)	(26,700)
Income from the Farm Credit Bank of Texas	**2,498**	2,544	2,723	3,203	4,015
Other noninterest income	**1,641**	982	2,168	617	1,279
Noninterest expense	**(10,698)**	(11,486)	(12,141)	(16,107)	(11,123)
Benefit from income taxes	**(22)**	(43)	(83)	(49)	-
Net income (loss)	**$ 11,615**	$ 9,180	$ 9,149	$ (9,232)	$ (14,039)
Key Financial Ratios for the Year					
Return on average assets	**1.8%**	1.5%	1.4%	-1.2%	-1.7%
Return on average members' equity	**8.8%**	7.4%	7.9%	-7.8%	-10.2%
Net interest income as a percentage of average earning assets	**2.9%**	2.9%	2.8%	2.6%	2.3%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.8%	0.2%	3.9%	1.5%

LOUISIANA LAND BANK, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

(unaudited)
(dollars in thousands)

	2014	2013	2012	2011	2010
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**20.4%**	20.0%	19.6%	16.1%	15.3%
Debt as a percentage of members' equity	**389.0%**	401.0%	411.0%	519.9%	552.8%
Allowance for loan losses as a percentage of loans	**0.8%**	0.9%	1.7%	1.6%	3.0%
Permanent capital ratio	**19.5%**	18.5%	17.4%	13.5%	14.1%
Core surplus ratio	**19.1%**	18.1%	17.0%	13.1%	13.7%
Total surplus ratio	**19.1%**	18.1%	17.0%	13.1%	13.7%
Net Income Distribution					
Patronage dividends:					
Cash	**2,999**	1,700	-	-	2,600

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Louisiana Land Bank, ACA, including its wholly-owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank Association, FLCA (Association) for the years ended December 31, 2014, 2013 and 2012, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

On July 25, 2014, the Association's stockholders approved an amendment to the Association's capitalization bylaws addressing the amount of stock a borrower must purchase as a condition of borrowing from the Association. Further details are discussed in Note 9, "Members' Equity" to the financial statements included in this annual report.

In December 2014, the Board elected to declare a patronage of $4,500,000 to stockholders for 2014. It is anticipated that the patronage will be paid during the second quarter of 2015.

In December 2014, the Association received a direct loan patronage of $2,153,165 from the Bank, representing 43 basis points on the average daily balance of the Association's direct loan with the Bank. During 2014, the Association received $174,383 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $170,912 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

Mr. Stanley resigned as Chairman of the Audit Committee effective August 26, 2014. Mrs. Hoyt was named Chairman of the Audit Committee that same day. Mr. Girouard resigned as Chairman of the Board effective October 28, 2014. Mr. Morgan was elected Chairman on November 25, 2014. Mr. Stanley and Mr. Girouard will continue to serve on the Board and will assist new leadership until their terms expire in 2015.

The Association's noninterest income increased significantly compared to the prior year. The increase is attributable to the sale and resulting gain on Association owned property. Interest income increased significantly compared to the prior year. The increase is attributable to the collection in full of non-accrual loans during the year. Neither of these items should be considered as recurring sources of income. Both items had a positive effect on net income and return on assets.

On January 23, 2014, the Association's regulator, FCA, terminated the Written Agreement (Agreement) originally executed on March 15, 2011. Please refer to Note 15, "Regulatory Enforcement Matters," for additional information.

For more than 25 years, the Association has continued to provide its members with quality financial services. The Board and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loan maturities range from 1 to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

There were no material changes in the Association's borrower profile, geographic distribution or commodity concentrations during 2014. High risk assets are currently at a three-year low. The composition of the Association's loan portfolio, including principal less funds held of $627,120,442, $611,195,331 and $594,657,865 as of December 31, 2014, 2013 and 2012, respectively, is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

Purchase and Sales of Loans:

During 2014, 2013 and 2012, the Association was participating in loans with other lenders. As of December 31, 2014, 2013 and 2012, these participations totaled $40,416,181, $45,111,564 and $57,299,392, or 6.4 percent, 7.4 percent and 9.6 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $9,392,717, $14,058,111 and $33,325,630, or 1.5 percent, 2.3 percent and 5.6 percent of loans, respectively. The Association has also sold participations of $34,101,033, $37,556,635 and $26,286,299 as of December 31, 2014, 2013 and 2012, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans, and other property owned, net. The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2014		2013		2012	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 3,865,193**	**48.9%**	$ 3,787,777	45.7%	$ 15,778,287	55.0%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%	301,237	1.1%
Formally restructured	**3,327,172**	**42.0%**	2,946,814	35.6%	3,083,217	19.1%
Other property owned, net	**718,745**	**9.1%**	1,551,254	18.7%	7,096,725	24.8%
Total	**$ 7,911,110**	**100.0%**	$ 8,285,845	100.0%	$ 26,259,466	100.0%

At December 31, 2014, 2013 and 2012, loans that were considered impaired were $7,192,365, $6,734,591 and $19,162,741, representing 1.1 percent, 1.1 percent and 3.2 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net

The Association has reduced other property owned to one transaction with the property located in Louisiana. The carrying value is reflected on the balance sheet at $718,745 with no allowance. Management expects to liquidate the property for carrying value.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2014	2013	2012
Allowance for loan losses	**$ 5,203,336**	$ 5,312,601	$ 9,892,023
Allowance for loan losses to total loans	**0.8%**	0.9%	1.7%
Allowance for loan losses to nonaccrual loans	**134.6%**	140.3%	62.7%
Allowance for loan losses to impaired loans	**72.3%**	79.4%	51.6%
Net charge-offs to average loans	**0.0%**	0.8%	0.2%

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, prior loss experience and portfolio stress testing. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $5,203,336, $5,312,601 and $9,892,023 at December 31, 2014, 2013 and 2012, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates.

Results of Operations:

The Association's net income for the year ended December 31, 2014, was $11,614,745 as compared to $9,180,238 for the year ended December 31, 2013, reflecting an increase of $2,434,507, or 26.5 percent. The primary change is due to interest collected on nonaccrual loans and gains on sale of acquired property. The Association's net income for the year ended December 31, 2012, was $9,149,105. Net income increased $31,133, or 0.3 percent, in 2013 versus 2012.

Net interest income for 2014, 2013 and 2012 was $18,209,033, $17,553,334 and $17,507,662, respectively, reflecting increases of $655,699, or 3.7 percent, for 2014 versus 2013 and $45,672, or 0.3 percent, for 2013 versus 2012. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2014		2013		2012	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 618,187,550**	**$ 27,118,521**	$ 603,772,388	$26,214,443	$ 623,757,933	$ 28,017,790
Total interest-earning assets	**618,187,550**	**27,118,521**	603,772,388	26,214,443	623,757,933	28,017,790
Interest-bearing liabilities	**499,121,177**	**8,909,488**	493,148,097	8,661,109	528,739,084	10,510,128
Impact of capital	**$ 119,066,373**		$ 110,624,291		$ 95,018,849	
Net interest income		**$ 18,209,033**		$17,553,334		$ 17,507,662

	2014	2013	2012
	Average Yield	Average Yield	Average Yield
Yield on loans	**4.39%**	4.34%	4.49%
Total yield on interest-earning assets	**4.39%**	4.34%	4.49%
Cost of interest-bearing liabilities	**1.79%**	1.76%	1.99%
Interest rate spread	**2.60%**	2.58%	2.50%

	2014 vs. 2013			2013 vs. 2012		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 625,878**	**$ 278,200**	**$ 904,078**	$ (897,711)	$ (905,636)	$ (1,803,347)
Total interest income	**625,878**	**278,200**	**904,078**	(897,711)	(905,636)	(1,803,347)
Interest expense	**104,905**	**143,474**	**248,379**	(707,478)	(1,141,541)	(1,849,019)
Net interest income	**$ 520,973**	**$ 134,726**	**$ 655,699**	$ (190,233)	$ 235,905	$ 45,672

Interest income for 2014 increased by $904,078, or 3.5 percent, compared to 2013, primarily due to increase in accrual loan volume and collection of interest on nonaccrual loans. Interest expense for 2014 increased by $248,379, or 2.9 percent, compared to 2013 due to an increase in debt outstanding and rate. The interest rate spread increased by 2 basis points to 2.60 percent in 2014 from 2.58 percent in 2013, primarily due to collection of interest on nonaccrual loans and an increase in accrual loan volume. The primary source of income for the Association, including its wholly owned subsidiaries, is interest income earned from outstanding loan volume. The Association's net interest margin has remained stable the last three years due to interest rate programs in place that are overseen by management and the Board.

Noninterest income for 2014 increased by $612,813, or 17.4 percent, compared to 2013, due primarily to a gain on acquired property. Noninterest income for 2013 decreased by $1,364,439, or 27.9 percent, compared to 2012, due primarily to a refund from FCSIC Corporation (FCSIC or Insurance Fund) in the amount of $782,336 during 2012 and a reduction in the gain on other property owned.

Provisions for loan losses decreased by $357,570, or 96.6 percent, compared to 2013, due primarily to the reduction in impaired assets requiring reserves.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Operating expenses decreased by $787,020 for 2014 compared to 2013 primarily due to a decrease in salary and benefit costs. During 2013, the Association had significant severance expenses due to the release of multiple employees. The Association's employee pool was stable in 2014 and management does not anticipate activity comparable to the 2013 levels going forward. Provision for acquired property expense decreased by $122,023 or 95.8 percent. Purchased service expense decreased by $70,590 in 2014 compared to 2013. Insurance Fund Premiums increased $88,544 in 2014 compared to 2013. Salaries and employee benefits decreased by $555,457 compared to 2013. In 2014, advertising and public and member relations increased $44,095 and $27,147, respectively. Remaining operating expenses decreased by $198,736 in 2014.

For 2014, the Association paid fees to CPAs for internal audit and non-audit related services. The amounts are $33,298 and $41,471, respectively. The Association utilizes a separate CPA firm for independent auditor activities. Refer to the "Disclosure, Information and Index" section, "Relationship with Independent Auditor" for additional information. These firms were approved through the oversight of the Audit Committee.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $444,791 for 2014, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling $506,078.

For the year ended December 31, 2014, the Association's return on average assets was 1.8 percent, as compared to 1.5 percent and 1.4 percent for the years ended December 31, 2013 and 2012, respectively. For the year ended December 31, 2014, the Association's return on average members' equity was 8.8 percent, as compared to 7.4 percent and 7.9 percent for the years ended December 31, 2013 and 2012, respectively. During 2014, the primary change in return on assets was due to collection of interest on nonaccrual loans and gain on sale of acquired property.

The Association is in full compliance with the general financing agreement (GFA) at December 31, 2014. Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank would have a similar effect on the operations of the Association. This could impact shareholder's investment in the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The primary

source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $500,169,143, $494,649,196 and $489,740,488 as of December 31, 2014, 2013 and 2012, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.83 percent, 1.82 percent and 1.82 percent at December 31, 2014, 2013 and 2012, respectively.

The increase in note payable to the Bank and related accrued interest payable since December 31, 2013, is due to an increase in accrual loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $126,419,949, $116,025,730 and $104,307,296 at December 31, 2014, 2013 and 2012, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2014, was $625,900,246 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2015, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a GFA. The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds from operations are sufficient to fund its operations for the coming year.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2015. As borrower payments are received, they are applied to the Association's note payable to the Bank.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $131,276,072, $125,255,102 and $120,165,852 at December 31, 2014, 2013 and 2012, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2014, 2013 and 2012 was 19.5 percent, 18.5 percent and 17.4 percent, respectively.

The core surplus ratio measures available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The Association's core surplus ratio at December 31, 2014, 2013 and 2012 was 19.1 percent, 18.1 percent and 17.0 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 3.5 percent. The total surplus ratio measures available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the reserves existing to protect borrowers' investments in the Association. The Association's total surplus ratio at December 31, 2014, 2013 and 2012 was 19.1 percent, 18.1 percent and 17.0 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 7.0 percent.

The Association's members' equity includes accumulated other comprehensive loss (AOCL) related to certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. The AOCL includes net actuarial losses and prior service costs/credits that have been included in liabilities, but have not yet been amortized into earnings. In October 2014, the Society of Actuaries issued revised mortality tables (RP 2014) and a mortality improvement scale (MP 2014) for use by actuaries, insurance companies, governments, benefit plan sponsors and others in setting assumptions regarding life expectancy in the United States for purposes of estimating pension and other postemployment benefit obligations, costs and required contribution amounts. The new mortality tables indicate substantial life expectancy improvements since the last study published in 2000 (RP 2000). The adoption of these new tables resulted in an increase of $335,573 to our retiree welfare plan's projected benefit obligation.

In 2014, 2013 and 2012, the Association paid patronage distributions of $2,998,692, $1,700,134 and $0, respectively. In December 2014, the Board approved a $4,500,000 patronage distribution to be paid in April 2015. See Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

Regulatory Matters:

On July 25, 2014, the Farm Credit Administration published a proposed rule to revise the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System banks and associations,
- To ensure that System banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption,
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers,
- To comply with the requirements of section 939A of the Dodd-Frank Act,
- To modernize the investment eligibility criteria for System banks and
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

The public comment period ended on October 23, 2014.

On September 4, 2014, the Farm Credit Administration published a proposed rule to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule are as follows:

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

The public comment period ended on February 16, 2015.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all District Associations. In addition, each Association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the Associations, such as the Farm Credit System Insurance Corporation insurance premiums. As of April 2011, the Bank only bills Associations for direct pass-through expenses and no longer bills for allocated expenses. The impact of the change is a reduction of allocated expenses of $137,504, which are included in purchased services on the statements of comprehensive income.

Summary:

Over the past 25 years, regardless of the state of the agricultural economy, your Association's Board and management, as well as the Board and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Independent Auditor's Report

To the Board of Directors of Louisiana Land Bank, ACA:

We have audited the accompanying consolidated financial statements of Louisiana Land Bank, ACA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2014, 2013 and 2012, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Land Bank, ACA and its subsidiaries at December 31, 2014, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 11, 2015

PricewaterhouseCoopers LLP, 300 West 6th Street, Suite 1800, Austin, Texas 78701
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LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2014	2013	2012
Assets			
Cash	**$ 70,412**	$ 49,942	$ 1,056,223
Loans	**627,120,442**	611,195,331	594,657,865
Less: allowance for loan losses	**5,203,336**	5,312,601	9,892,023
Net loans	**621,917,106**	605,882,730	584,765,842
Accrued interest receivable	**4,837,740**	4,752,404	5,048,700
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**9,979,910**	9,847,090	10,743,310
Other	**997,717**	2,029,531	1,700,104
Deferred taxes, net	**-**	16,661	16,661
Other property owned, net	**718,745**	1,551,254	7,096,725
Premises and equipment	**3,008,782**	3,131,092	3,135,995
Other assets	**429,525**	313,820	539,693
Total assets	**$ 641,959,937**	$ 627,574,524	$ 614,103,253
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 500,169,143**	$ 494,649,196	$ 489,740,488
Accrued interest payable	**763,922**	751,711	760,539
Drafts outstanding	**236,037**	87,989	5,288
Patronage payable	**4,500,532**	3,000,040	-
Other liabilities	**5,014,231**	3,830,486	3,431,086
Total liabilities	**510,683,865**	502,319,422	493,937,401
Members' Equity			
Capital stock and participation certificates	**2,481,320**	2,899,765	2,853,915
Unallocated retained earnings	**129,597,692**	122,482,131	118,001,797
Accumulated other comprehensive loss	**(802,940)**	(126,794)	(689,860)
Total members' equity	**131,276,072**	125,255,102	120,165,852
Total liabilities and members' equity	**$ 641,959,937**	$ 627,574,524	$ 614,103,253

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2014	2013	2012
Interest Income			
Loans	**$ 27,118,521**	$ 26,214,443	$ 28,017,790
Total interest income	**27,118,521**	26,214,443	28,017,790
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**8,909,488**	8,661,109	10,510,128
Total interest expense	**8,909,488**	8,661,109	10,510,128
Net interest income	**18,209,033**	17,553,334	17,507,662
Provision for Loan Losses	**12,742**	370,312	1,025,999
Net interest income after provision for losses	**18,196,291**	17,183,022	16,481,663
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**2,498,460**	2,544,257	2,723,149
Loan fees	**147,495**	190,814	445,110
Refunds from Farm Credit System Insurance Corporation	**-**	-	782,336
Financially related services income	**2,665**	3,094	3,288
Gain on other property owned, net	**1,196,128**	559,165	775,392
Gain on sale of premises and equipment, net	**125,973**	204,763	160,757
Other noninterest income	**168,985**	24,800	1,300
Total noninterest income	**4,139,706**	3,526,893	4,891,332
Noninterest Expenses			
Salaries and employee benefits	**6,609,038**	7,164,495	5,658,356
Directors' expense	**299,899**	316,164	332,540
Purchased services	**555,688**	626,278	840,990
Travel	**525,904**	551,996	595,474
Occupancy and equipment	**533,572**	538,312	556,598
Communications	**161,789**	166,749	170,806
Advertising	**451,376**	407,281	340,213
Public and member relations	**248,180**	221,033	256,998
Supervisory and exam expense	**360,426**	388,020	545,604
Insurance Fund premiums	**543,437**	454,893	267,826
Provision for losses on other property owned, net	**5,359**	127,382	2,000,742
Other noninterest expense	**404,703**	523,788	575,006
Total noninterest expenses	**10,699,371**	11,486,391	12,141,153
Income before income taxes	**11,636,626**	9,223,524	9,231,842
Provision for income taxes	**21,881**	43,286	82,737
NET INCOME	**11,614,745**	9,180,238	9,149,105
Other comprehensive income:			
Change in postretirement benefit plans	**(676,146)**	563,066	(287,966)
Other comprehensive income, net of tax	**(676,146)**	563,066	(287,966)
COMPREHENSIVE INCOME	**$ 10,938,599**	$ 9,743,304	$ 8,861,139

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2011	$ 3,025,360	$ 108,852,692	$ (401,894)	$ 111,476,158
Net income	-	9,149,105	-	9,149,105
Other comprehensive income	-	-	(287,966)	(287,966)
Comprehensive income	-	9,149,105	(287,966)	8,861,139
Capital stock/participation certificates issued	396,885	-	-	396,885
Capital stock/participation certificates and allocated retained earnings retired	(568,330)	-	-	(568,330)
Balance at December 31, 2012	2,853,915	118,001,797	(689,860)	120,165,852
Net income	-	9,180,238	-	9,180,238
Other comprehensive income	-	-	563,066	563,066
Comprehensive income	-	9,180,238	563,066	9,743,304
Capital stock/participation certificates issued	491,735	-	-	491,735
Capital stock/participation certificates and allocated retained earnings retired	(445,885)	-	-	(445,885)
Patronage dividends declared	-	(4,699,904)	-	(4,699,904)
Balance at December 31, 2013	2,899,765	122,482,131	(126,794)	125,255,102
Net income	-	11,614,745	-	11,614,745
Other comprehensive income	-	-	(676,146)	(676,146)
Comprehensive income	-	11,614,745	(676,146)	10,938,599
Capital stock/participation certificates issued	427,600	-	-	427,600
Capital stock/participation certificates and allocated retained earnings retired	(846,045)	-	-	(846,045)
Patronage dividends declared	-	(4,499,184)	-	(4,499,184)
Balance at December 31, 2014	**$ 2,481,320**	**$ 129,597,692**	**$ (802,940)**	**$ 131,276,072**

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income	**$ 11,614,745**	$ 9,180,238	$ 9,149,105
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**12,742**	370,312	1,025,999
Deferred gain on acquired property	**89,322**	-	-
Provision for acquired property losses	**5,359**	127,382	-
(Gain) loss on other property owned, net	**(1,216,404)**	(635,902)	1,225,350
Depreciation	**455,435**	473,494	425,864
Gain on sale of premises and equipment, net	**(125,973)**	(204,763)	(160,757)
(Increase) decrease in accrued interest receivable	**(85,336)**	296,296	2,254,139
Decrease (increase) in other receivables from the Farm Credit Bank of Texas	**1,031,814**	(329,427)	1,755,221
Decrease in deferred tax assets	**16,661**	-	-
(Increase) decrease in other assets	**(115,705)**	225,873	(188,329)
Increase (decrease) in accrued interest payable	**12,211**	(8,828)	(354,590)
Increase (decrease) in other liabilities	**306,830**	962,466	(29,907)
Net cash provided by operating activities	**12,001,701**	10,457,141	15,102,095
Cash flows from investing activities:			
(Increase) decrease in loans, net	**(16,132,733)**	(22,468,785)	61,452,803
Cash recoveries of loans previously charged off	**145,001**	136,274	505,300
Proceeds from redemption (purchase) of investment in the Farm Credit Bank of Texas	**(132,820)**	896,220	2,213,040
Investment securities held-to-maturity			
Purchases of premises and equipment	**(278,588)**	(586,520)	(508,266)
Proceeds from sales of premises and equipment	**123,497**	359,935	164,504
Proceeds from sales of other property owned	**2,043,554**	6,862,059	7,653,314
Net cash (used in) provided by investing activities	**(14,232,089)**	(14,800,817)	71,480,695

LOUISIANA LAND BANK, ACA

STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2014	2013	2012
Cash flows from financing activities:			
Net draws on (repayment of) note payable to the Farm Credit Bank of Texas	**5,519,947**	4,908,708	(85,414,529)
Increase (decrease) in drafts outstanding	**148,048**	82,701	(65,129)
Issuance of capital stock and participation certificates	**427,600**	491,735	396,885
Retirement of capital stock and participation certificates	**(846,045)**	(445,885)	(568,330)
Cash dividends paid	**-**	32	-
Patronage distributions paid	**(2,998,692)**	(1,699,896)	-
Net cash provided by (used in) financing activities	**2,250,858**	3,337,395	(85,651,103)
Net increase (decrease) in cash	**20,470**	(1,006,281)	931,687
Cash at the beginning of the year	**49,942**	1,056,223	124,536
Cash at the end of the year	**$ 70,412**	$ 49,942	$ 1,056,223
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**-**	718,745	9,339,895
Loans charged off	**66,239**	5,086,009	1,987,190
Patronage distributions declared	**4,500,000**	4,699,904	-
Deferred gain on OPO	**89,322**		
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 8,897,277**	$ 8,669,936	$ 10,864,719

LOUISIANA LAND BANK, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Louisiana Land Bank, ACA, including its wholly-owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank Association, FLCA (collectively called "the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn in the state of Louisiana.

   The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned Banks and Associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2014, the System consisted of three Farm Credit Banks (FCBs) and their affiliated Associations, one Agricultural Credit Bank (ACB) and its affiliated Associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation), and various service and other organizations.

   The Association also serves as an intermediary in offering credit life insurance.

   The Bank and its related Associations are collectively referred to as the "District." The Bank provides funding to all Associations within the District and is responsible for supervising certain activities of the District Associations. At December 31, 2014, the District consisted of the Bank, one FLCA and 14 ACA parent companies, which have two wholly-owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

   The FCA is delegated authority by Congress to regulate the System Banks and Associations. The FCA examines the activities of System Associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

   The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System Bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

   FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers,

producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Bank and District Associations' Annual Report to Stockholders, which includes the combined financial statements of the Bank and all of the District Associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition and results of operations for the Bank and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund.

The lending and financial services offered by the Bank are described in Note 1, "Organization and Operations," of the District's annual report to stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to GAAP in the United States of America and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current financial statement presentation. The consolidated financial statements include the accounts of the PCA and the FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (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 Association is in the process of reviewing contracts to determine the effect, if any, on the Association's financial condition or its results of operations.

In August 2014, the 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.

B. Cash: Cash and cash equivalents, as included in the statement of cash flows, represent cash on hand and on deposit at local banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from 5 to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as

described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related Associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan, assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are 9 acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference

between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District Associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the Board of the Bank may increase the percentage of stock held by an Association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the Board.

H. Employee Benefit Plans: Employees of the Association participate in either the district defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

   Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2014, made on their behalf into various investment alternatives.

   The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the Associations. No portion of any surplus assets is available to the Associations, nor are the Associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the Associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $220,004, $194,275 and $175,291 for the years ended December 31, 2014, 2013 and 2012, respectively. For the DB plan, the Association recognized pension costs of $148,069, $459,715 and $505,242 for the years ended December 31, 2014, 2013 and 2012, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the Associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $185,690, $171,710 and $154,298 for the years ended December 31, 2014, 2013 and 2012, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. For further information on the Association's employee benefit plans, see Note 11, "Employee Benefit Plans."

I. Income Taxes: The ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through the wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

J. Patronage Refunds From the Bank: The Association records patronage refunds from the Bank on an accrual basis.

K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

   Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

   Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

   Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

   The fair value disclosures are presented in Note 13, "Fair Value Measurements."

L. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional

commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2014		2013		2012	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 538,841,540**	**85.9%**	$ 532,101,326	87.1%	$ 510,052,015	85.7%
Production and intermediate term	**37,507,404**	**6.0%**	30,871,151	5.1%	27,022,303	4.5%
Agribusiness:						
Loans to cooperatives	**3,076,029**	**0.5%**	6,740,253	1.1%	6,319,347	1.1%
Processing and marketing	**5,901,067**	**0.9%**	13,706,635	2.2%	11,127,631	1.9%
Farm-related business	**18,013,689**	**2.9%**	6,475,138	1.1%	16,484,456	2.8%
Communication	**6,174,404**	**1.0%**	5,430,544	0.9%	7,503,917	1.3%
Energy	**1,750,993**	**0.3%**	1,659,788	0.3%	2,812,624	0.5%
Water and waste water	**941,920**	**0.2%**	1,428,456	0.2%	-	0.0%
Rural residential real estate	**14,827,243**	**2.3%**	12,681,373	2.0%	13,226,081	2.2%
Lease receivables	**86,153**	**0.0%**	100,667	0.0%	109,491	0.0%
Total	**$ 627,120,442**	**100.0%**	$ 611,195,331	100.0%	$ 594,657,865	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding participations purchased and sold as of December 31, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 6,070,483	$ 21,466,885	$ 4,156,301	$ -	$ 10,226,784	$ 21,466,885
Production and intermediate term	8,962,608	12,634,148	-	-	8,962,608	12,634,148
Agribusiness	7,123,055	-	5,236,416	-	12,359,471	-
Communication	6,174,404	-	-	-	6,174,404	-
Energy	1,750,994	-	-	-	1,750,994	-
Water and waste water	941,920	-	-	-	941,920	-
Total	$ 31,023,464	$ 34,101,033	$ 9,392,717	$ -	$ 40,416,181	$ 34,101,033

Geographic Distribution by loan volume as of December 31, 2014:

Parish	**2014**	2013	2012
Acadia	**4.3%**	2.6%	2.5%
Franklin	**3.9%**	2.8%	3.5%
Catahoula	**3.7%**	2.8%	3.8%
Richland	**3.6%**	3.6%	2.9%
Tangipahoa	**3.5%**	3.4%	3.4%
Saint Landry	**3.3%**	3.3%	3.2%
Madison	**3.2%**	3.6%	2.9%
Bossier	**3.1%**	3.0%	2.9%
Morehouse	**3.0%**	3.0%	2.8%
Concordia	**2.9%**	3.0%	3.2%
East Carroll	**2.9%**	3.0%	3.1%
Ouachita	**2.7%**	2.9%	1.9%
Tensas	**2.3%**	2.4%	2.5%
West Carroll	**2.3%**	2.1%	1.7%
Rapides	**2.0%**	2.3%	2.7%
Avoyelles	**1.9%**	2.5%	2.5%
Jefferson Davis	**1.8%**	2.0%	2.1%
Caddo	**1.4%**	1.3%	1.5%
Livingston	**1.4%**	1.4%	1.3%
Natchitoches	**1.4%**	1.6%	1.8%
De Soto	**1.3%**	1.5%	1.7%
West Feliciana	**1.2%**	1.0%	1.2%
Allen	**1.1%**	0.8%	0.7%
Beauregard	**1.1%**	1.2%	1.4%
Caldwell	**1.1%**	1.1%	0.6%
Lincoln	**1.1%**	1.0%	0.8%
Pointe Coupee	**1.1%**	1.2%	1.2%
Saint Tammany	**1.1%**	0.9%	1.8%
Vermilion	**1.1%**	1.1%	1.0%
East Feliciana	**1.0%**	1.1%	1.1%
Saint Helena	**0.9%**	1.0%	1.0%
Union	**0.9%**	1.0%	1.0%
Ascension	**0.8%**	0.9%	0.9%
Washington	**0.7%**	0.8%	0.8%
Webster	**0.7%**	0.7%	0.6%
Calcasieu	**0.6%**	0.6%	0.7%
East Baton Rouge	**0.6%**	0.8%	0.7%
Evangeline	**0.6%**	0.5%	0.5%
Grant	**0.5%**	0.6%	0.9%
Iberville	**0.5%**	0.5%	0.6%
Winn	**0.5%**	0.4%	0.6%
Saint James	**0.2%**	0.7%	1.4%
Other States	**20.6%**	21.6%	20.0%
Other	**6.1%**	6.4%	6.6%
Totals	**100.0%**	**100.0%**	**100.0%**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table:

Operation/Commodity	**2014** Amount	**2014** %	2013 Amount	2013 %	2012 Amount	2012 %
Timber	**$ 212,421,782**	**33.9%**	$ 224,666,979	36.8%	$ 242,267,250	41.0%
Cash grains	**130,983,513**	**20.9%**	102,639,003	16.8%	91,260,958	15.3%
Livestock, except dairy and poultry	**78,561,418**	**12.5%**	69,603,696	11.4%	66,814,963	11.2%
Field crops except cash grains	**63,307,757**	**10.1%**	82,099,130	13.4%	85,894,151	14.4%
Hunting, trapping and game propagation	**49,209,884**	**7.8%**	45,033,495	7.4%	13,733,254	2.3%
Food and kindred products	**21,021,314**	**3.4%**	22,230,677	3.6%	23,203,975	3.9%
Rural home loans	**14,507,529**	**2.3%**	12,448,630	2.0%	11,217,480	1.9%
Animal specialties	**13,078,315**	**2.1%**	12,036,674	2.0%	12,167,696	2.0%
Wholesale trade - nondurable goods	**6,578,964**	**1.0%**	4,826,432	0.8%	3,130,959	0.5%
Communication	**6,174,404**	**1.0%**	5,430,544	0.9%	7,503,917	1.3%
Poultry and eggs	**5,712,650**	**0.9%**	3,929,618	0.6%	3,740,282	0.6%
General farms, primarily livestock	**4,101,017**	**0.7%**	4,837,415	0.8%	5,277,421	0.9%
Other	**4,083,741**	**0.7%**	3,423,969	0.5%	12,419,417	2.0%
Vegetables and melons	**3,775,440**	**0.6%**	452,304	0.1%	-	0.0%
General farms, primarily crops	**3,546,424**	**0.6%**	7,954,182	1.3%	8,110,556	1.4%
Dairy farms	**2,308,369**	**0.4%**	2,528,873	0.4%	3,036,087	0.5%
Chemical and allied products	**1,852,503**	**0.3%**	1,791,799	0.3%	2,389,995	0.4%
Electric services	**1,752,982**	**0.3%**	1,659,788	0.3%	-	0.0%
Fruit and tree nuts	**1,630,689**	**0.2%**	1,809,890	0.3%	-	0.0%
Farm and garden machinery equipment	**1,345,687**	**0.2%**	722,164	0.1%	-	0.0%
Paper and allied products	**356,795**	**0.1%**	356,401	0.1%	-	0.0%
Building materials, hardware and garden supplies	**296,292**	**0.0%**	-	0.0%	-	0.0%
Lumber and wood products, except furniture	**285,818**	**0.0%**	713,668	0.1%	-	0.0%
Public warehousing and storage	**140,000**	**0.0%**	-	0.0%	2,489,504	0.4%
Fish hatcheries and preserves	**74,501**	**0.0%**	-	0.0%	-	0.0%
Forestry services	**12,654**	**0.0%**	-	0.0%	-	0.0%
Total	**$ 627,120,442**	**100.0%**	$ 611,195,331	100.0%	$ 594,657,865	100.0%

While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

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

	December 31, 2014	December 31, 2013	December 31, 2012
Nonaccrual loans:			
Real estate mortgage	**$ 2,601,544**	$ 2,244,693	$ 6,749,296
Agribusiness	**906,566**	1,245,856	8,345,344
Communication	**-**	-	651,117
Rural residential real estate	**357,083**	297,228	32,530
Total nonaccrual loans	**3,865,193**	3,787,777	15,778,287
Accruing restructured loans:			
Real estate mortgage	**3,132,308**	2,875,350	2,785,300
Agribusiness	**-**	-	297,917
Rural residential real estate	**194,864**	71,464	-
Total accruing restructured loans	**3,327,172**	2,946,814	3,083,217
Accruing loans 90 days or more past due:			
Real estate mortgage	**-**	-	-
Communication	**-**	-	301,237
Rural residential real estate	**-**	-	-
Total accruing loans 90 days or more past due	**-**	-	301,237
Total nonperforming loans	**7,192,365**	6,734,591	19,162,741
Other property owned	**718,745**	1,551,254	7,096,725
Total nonperforming assets	**$ 7,911,110**	$ 8,285,845	$ 26,259,466

One credit quality indicator utilized by the Bank and the Association is the Farm Credit Administration's 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 classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2014		2013		2012	
Real estate mortgage						
Acceptable	**98.17**	%	97.36	%	95.60	%
OAEM	**0.29**		1.15		1.82	
Substandard/doubtful	**1.54**		1.49		2.60	
	100.00		100.00		100.02	
Production and intermediate term						
Acceptable	**89.33**		100.00		100.00	
OAEM	**10.67**		-		-	
Substandard/doubtful	**-**		-		-	
	100.00		100.00		100.00	
Loans to cooperatives						
Acceptable	**100.00**		100.00		100.00	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.00		100.00		100.00	
Processing and marketing						
Acceptable	**100.00**		98.04		81.30	
OAEM	**-**		-		18.70	
Substandard/doubtful	**-**		1.96		-	
	100.00		100.00		100.00	
Farm-related business						
Acceptable	**83.16**		50.32		6.50	
OAEM	**-**		-		10.60	
Substandard/doubtful	**16.84**		49.68		82.90	
	100.00		100.00		100.00	
Communication						
Acceptable	**95.25**		94.06		91.30	
OAEM	**-**		-		-	
Substandard/doubtful	**4.75**		5.94		8.70	
	100.00		100.00		100.00	
Energy						
Acceptable	**100.00**		77.42		86.00	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		22.58		14.00	
	100.00		100.00		100.00	
Water and waste water						
Acceptable	**100.00**		100.00		-	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.00		100.00		-	
Rural residential real estate						
Acceptable	**96.63**		95.28		96.40	
OAEM	**0.97**		1.40		-	
Substandard/doubtful	**2.40**		3.32		3.60	
	100.00		100.00		100.00	
Lease receivables						
Acceptable	**100.00**		100.00		100.00	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.00		100.00		100.00	
Total Loans						
Acceptable	**97.18**		96.92		93.04	
OAEM	**0.91**		1.03		2.21	
Substandard/doubtful	**1.91**		2.05		4.75	
	100.00	%	100.00	%	100.00	%

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2014, 2013 and 2012:

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	**$ 1,165,915**	**$ 333,087**	**$ 1,499,002**	**$ 541,751,694**	**$ 543,250,696**	**$ -**
Production and intermediate-term	**32,062**	**-**	**32,062**	**37,750,373**	**37,782,435**	**-**
Loans to cooperatives	**-**	**-**	**-**	**3,093,736**	**3,093,736**	**-**
Processing and marketing	**-**	**-**	**-**	**5,904,647**	**5,904,647**	**-**
Farm-related business	**-**	**-**	**-**	**18,077,670**	**18,077,670**	**-**
Communication	**-**	**-**	**-**	**6,175,125**	**6,175,125**	**-**
Energy	**-**	**-**	**-**	**1,751,189**	**1,751,189**	**-**
Water and waste water	**-**	**-**	**-**	**942,017**	**942,017**	**-**
Rural residential real estate	**477,489**	**14,749**	**492,238**	**14,402,276**	**14,894,514**	**-**
Lease receivables	**-**	**-**	**-**	**86,153**	**86,153**	**-**
Total	**$ 1,675,466**	**$ 347,836**	**$ 2,023,302**	**$ 629,934,880**	**$ 631,958,182**	**$ -**

December 31, 2013:	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	$ 649,514	$ 65,908	$ 715,422	$ 535,814,099	$ 536,529,521	$ -
Production and intermediate-term	-	-	-	31,040,800	31,040,800	-
Loans to cooperatives	-	-	-	6,772,167	6,772,167	-
Processing and marketing	-	-	-	13,729,895	13,729,895	-
Farm-related business	-	-	-	6,514,478	6,514,478	-
Communication	-	-	-	5,431,443	5,431,443	-
Energy	-	-	-	1,659,924	1,659,924	-
Water and waste water	-	-	-	1,429,170	1,429,170	-
Rural residential real estate	102,977	13,988	116,965	12,622,705	12,739,670	-
Lease receivables	-	-	-	100,667	100,667	-
Total	$ 752,491	$ 79,896	$ 832,387	$ 615,115,348	$ 615,947,735	$ -

December 31, 2012:	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	$ 381,863	$ 4,983,941	$ 5,365,804	$ 509,439,008	$ 514,804,812	$ -
Production and intermediate-term	-	-	-	27,110,348	27,110,348	-
Loans to cooperatives	-	-	-	6,344,239	6,344,239	-
Processing and marketing	-	-	-	11,165,746	11,165,746	-
Farm-related business	-	5,232	5,232	16,511,410	16,516,642	-
Communication	-	301,236	301,236	7,203,202	7,504,438	301,236
Energy	-	-	-	2,812,856	2,812,856	-
Rural residential real estate	406,207	-	406,207	12,927,165	13,333,372	-
Lease receivables	-	-	-	114,112	114,112	-
Total	$ 788,070	$ 5,290,409	$ 6,078,479	$ 593,628,086	$ 599,706,565	$ 301,236

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous direct write-down of the investment.

A restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings 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 December 31, 2014, the total recorded investment of troubled debt restructured loans was $4,596,695, including $202,472 classified as nonaccrual and $3,327,172 classified as accrual, with specific allowance for loan losses of $124,742. As of December 31, 2014, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $0.

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 years ended December 31, 2014, 2013 and 2012. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

December 31, 2014:	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Troubled debt restructurings:		
Real estate mortgage	**$ 2,011,859**	**$ 2,028,086**
Rural residential real estate	**95,686**	**131,195**
Total	**$ 2,107,545**	**$ 2,159,281**

December 31, 2013:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 513,496	$ 510,155
Farm-related business	4,485,393	997,334
Rural residential real estate	75,272	82,299
Total	$ 5,074,161	$ 1,589,788

December 31, 2012:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 692,455	$ 674,668
Total	$ 692,455	$ 674,668

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). Charge-offs recorded at the modification date were $1,084 for the year ending December 31, 2014.

The predominant form of concession granted for troubled debt restructuring includes rate reduction and term extension. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $0 at December 31, 2014, December 31, 2013, and December 31, 2012.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table:

	Loans Modified as TDRs		
	December 31, 2014	December 31, 2013	December 31, 2012
Troubled debt restructurings:			
Real estate mortgage	**$ 3,490,639**	$ 2,899,035	$ 2,785,300
Production and intermediate term		273,872	-
Farm-related business	**906,566**	977,254	297,917
Rural residential real estate	**199,490**	78,699	-
Total	**$ 4,596,695**	$ 4,228,860	$ 3,083,217

	TDRs on Nonaccrual Status*		
	December 31, 2014	December 31, 2013	December 31, 2012
Troubled debt restructurings:			
Real estate mortgage	**$ 358,331**	$ -	$ -
Farm-related business	**906,566**	-	-
Rural residential real estate	**4,626**	-	-
Total	**$ 1,269,523**	$ -	$ -

* represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2014	**Unpaid Principal Balance[a]**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized**
Impaired loans with a related allowance for credit losses:					
Farm-related business	**$ 906,565**	**$ 4,830,788**	**$ 124,742**	**$ 944,732**	**$ -**
Rural residential real estate	**14,749**	**14,749**	**1,200**	**14,485**	**-**
Total	**$ 921,314**	**$ 4,845,537**	**$ 125,942**	**$ 959,217**	**$ -**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	**$ 5,733,852**	**$ 6,141,751**	**$ -**	**$ 5,508,926**	**$ 167,782**
Farm-related business	**-**	**182,993**	**-**	**1**	**-**
Rural residential real estate	**537,199**	**537,864**	**-**	**531,005**	**9,618**
Total	**$ 6,271,051**	**$ 6,862,608**	**$ -**	**$ 6,039,932**	**$ 177,400**
Total impaired loans:					
Real estate mortgage	**$ 5,733,852**	**$ 6,141,751**	**$ -**	**$ 5,508,926**	**$ 167,782**
Farm-related business	**906,565**	**5,013,781**	**124,742**	**944,733**	**-**
Rural residential real estate	**551,948**	**552,613**	**1,200**	**545,490**	**9,618**
Total	**$ 7,192,365**	**$11,708,145**	**$ 125,942**	**$ 6,999,149**	**$ 177,400**

	Recorded Investment at 12/31/2013	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 392,243	$ 391,881	$ 13,816	$ 328,207	$ 13,900
Processing and marketing	268,602	316,746	128,526	217,423	(32)
Farm-related business	977,254	4,901,476	160,295	5,127,076	-
Rural residential real estate	249,138	249,138	9,493	44,407	9,951
Total	$ 1,887,237	$ 5,859,241	$ 312,130	$ 5,717,113	$ 23,819
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 4,686,977	$ 5,755,153	$ -	$ 5,407,209	$ 134,032
Farm-related business	-	246,407	-	2,046	-
Rural residential real estate	119,511	119,693	-	104,676	4,129
Total	$ 4,806,488	$ 6,121,253	$ -	$ 5,513,931	$ 138,161
Total impaired loans:					
Real estate mortgage	$ 5,079,220	$ 6,147,034	$ 13,816	$ 5,735,416	$ 147,932
Processing and marketing	268,602	316,746	128,526	217,423	(32)
Farm-related business	977,254	5,147,883	160,295	5,129,122	-
Rural residential real estate	368,649	368,831	9,493	149,083	14,080
Total	$ 6,693,725	$ 11,980,494	$ 312,130	$ 11,231,044	$ 161,980

	Recorded Investment at 12/31/2012	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 1,381,758	$ 1,384,766	$ 807,607	$ 1,391,274	$ 15,125
Farm-related business	8,340,113	8,424,589	3,009,790	8,344,188	-
Communication	651,117	651,117	329,846	591,227	(791)
Total	$ 10,372,988	$ 10,460,472	$ 4,147,243	$ 10,326,689	$ 14,334
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 8,100,902	$ 8,158,613	$ -	$ 8,640,238	$ 133,937
Production and intermediate term	297,885	346,029	-	298,927	10,756
Farm-related business	5,232	342,585	-	3,181,574	-
Communication	301,205	301,205	-	272,660	8,116
Rural residential real estate	32,530	32,530	-	33,925	-
Total	$ 8,737,754	$ 9,180,962	$ -	$ 12,427,324	$ 152,809
Total impaired loans:					
Real estate mortgage	$ 9,482,660	$ 9,543,379	$ 807,607	$ 10,031,512	$ 149,062
Production and intermediate term	297,885	346,029	-	298,927	10,756
Farm-related business	8,345,345	8,767,174	3,009,790	11,525,762	-
Communication	952,322	952,322	329,846	863,887	7,325
Rural residential real estate	32,530	32,530	-	33,925	-
Total	$ 19,110,742	$ 19,641,434	$ 4,147,243	$ 22,754,013	$ 167,143

[a] Unpaid principal balance represents the recorded principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2014, 2013 and 2012.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2014	2013	2012
Interest income which would have been recognized under the original terms	**$ 965,794**	$ 974,036	$ 881,948
Less: interest income recognized	**(721,123)**	(447,397)	(177,295)
Foregone interest income	**$ 244,671**	$ 526,639	$ 704,653

A summary of the changes in the allowance for credit losses and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2013	$ 3,418,150	$ (122,313)	$ 1,614,752	$ 291,702	$ 49,830	$ -	$ 39,368	$ 21,112	$ 5,312,601
Charge-offs	(3,398)	-	(61,871)	-	-	-	(970)	-	(66,239)
Recoveries	81,587	-	63,414	-	-	-	-	-	145,001
Provision for loan losses	12,742	-	-	-	-	-	-	-	12,742
Other	(200,769)	-	-	-	-	-	-	-	(200,769)
Balance at December 31, 2014	$ 3,308,312	$ (122,313)	$ 1,616,295	$ 291,702	$ 49,830	$ -	$ 38,398	$ 21,112	$ 5,203,336
Ending Balance: individually evaluated for impairment	$ 10,938	$ -	$ 944,433	$ -	$ -	$ -	$ 1,200	$ -	$ 956,571
Ending Balance: collectively evaluated for impairment	$ 3,397,374	$ (122,313)	$ 671,862	$ 291,702	$ 49,830	$ -	$ 37,198	$ 21,112	$ 4,346,765
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2014	$ 543,250,696	$ 37,782,435	$ 27,076,053	$ 6,175,125	$ 1,751,189	$ 942,017	$ 14,894,514	$ 86,153	$ 631,958,182
Ending balance for loans individually evaluated for impairment	$ 5,750,944	$ -	$ 3,026,566	$ -	$ -	$ -	$ 551,433	$ -	$ 9,328,943
Ending balance for loans collectively evaluated for impairment	$ 537,496,651	$ 37,785,535	$ 24,049,488	$ 6,175,125	$ 2,693,206	$ -	$ 14,343,081	$ 86,153	$ 622,629,239

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2012	$ 4,167,972	$ (122,313)	$ 5,444,170	$ 291,702	$ 49,830	$ -	$ 39,550	$ 21,112	$ 9,892,023
Charge-offs	(1,161,604)	-	(3,924,223)	-	-	-	(182)	-	(5,086,009)
Recoveries	45,328	-	90,946	-	-	-	-	-	136,274
Provision for loan losses	366,454	-	3,859	-	-	-	-	-	370,313
Balance at December 31, 2013	$ 3,418,150	$ (122,313)	$ 1,614,752	$ 291,702	$ 49,830	$ -	$ 39,368	$ 21,112	$ 5,312,601
Ending Balance: individually evaluated for impairment	$ 27,284	$ -	$ 1,230,007	$ -	$ -	$ -	$ 9,493	$ -	$ 1,266,784
Ending Balance: collectively evaluated for impairment	$ 3,390,866	$ (122,313)	$ 384,745	$ 291,702	$ 49,830	$ -	$ 29,875	$ 21,112	$ 4,045,817
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2013	$ 536,529,521	$ 31,040,800	$ 27,016,540	$ 5,431,443	$ 1,659,924	$ 1,429,170	$ 12,739,670	$ 100,667	$ 615,947,735
Ending balance for loans individually evaluated for impairment	$ 5,133,333	$ -	$ 3,486,728	$ -	$ -	$ -	$ 368,648	$ -	$ 8,988,709
Ending balance for loans collectively evaluated for impairment	$ 531,396,188	$ 31,040,800	$ 23,529,812	$ 5,431,443	$ 1,659,924	$ 1,429,170	$ 12,371,022	$ 100,667	$ 606,959,026

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2011	$ 4,284,145	$ 217,404	$ 5,444,170	$ 291,702	$ 49,830	$ -	$ 39,550	$ 21,112	$ 10,347,913
Charge-offs	(601,518)	(1,385,671)	-	-	-	-	-	-	(1,987,189)
Recoveries	485,345	19,955	-	-	-	-	-	-	505,300
Provision for loan losses	-	1,025,999	-	-	-	-	-	-	1,025,999
Balance at December 31, 2012	$ 4,167,972	$ (122,313)	$ 5,444,170	$ 291,702	$ 49,830	$ -	$ 39,550	$ 21,112	$ 9,892,023
Ending Balance: individually evaluated for impairment	$ -	$ -	$ 4,884,953	$ 329,846	$ -	$ -	$ -	$ -	$ 5,214,799
Ending Balance: collectively evaluated for impairment	$ 4,167,972	$ (122,313)	$ 559,217	$ (38,144)	$ 49,830	$ -	$ 39,550	$ 21,112	$ 4,677,224
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2012	$ 514,804,812	$ 27,110,348	$ 34,026,627	$ 7,504,438	$ 2,812,856	$ -	$ 13,333,372	$ 114,112	$ 599,706,565
Ending balance for loans individually evaluated for impairment	$ 15,853,494	$ 297,885	$ 1,031,381	$ 952,322	$ 943,130	$ -	$ 32,530	$ -	$ 19,110,742
Ending balance for loans collectively evaluated for impairment	$ 498,951,318	$ 26,812,463	$ 32,995,246	$ 6,552,116	$ 1,869,726	$ -	$ 13,300,842	$ 114,112	$ 580,595,823

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Bank is a requirement of borrowing from the Bank and is carried at cost plus allocated equities, not fair value, in the accompanying balance sheet. Estimating the fair value of the Association's investment in the Bank is not practicable because the stock is not traded. The Association owns 4.3 percent of the issued stock of the Bank as of December 31, 2014. As of that date, the Bank's assets totaled $18.0 billion and members' equity totaled $1.5 billion. The Bank's earnings were $188.3 million during 2014.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2014	2013	2012
Land and improvements	**$ 629,445**	$ 627,272	$ 648,250
Building and improvements	**2,545,984**	2,517,949	2,474,533
Furniture and equipment	**725,891**	715,098	708,270
Computer equipment and software	**246,686**	234,095	220,395
Automobiles	**1,038,939**	953,622	875,187
	5,186,945	5,048,036	4,926,635
Accumulated depreciation	**(2,178,163)**	(1,916,944)	(1,790,640)
Total	**$ 3,008,782**	$ 3,131,092	$ 3,135,995

The Association leases office space in Alexandria, Tallulah, Crowley, Arcadia and Port Allen, Louisiana. Lease expense was $124,782, $178,680 and $198,090 for 2014, 2013 and 2012, respectively. Minimum annual lease payments for the next five years are as follows:

	Operating
2015	$ 107,974
2016	45,134
2017	34,962
2018	0
2019	0
Thereafter	0
Total	$ 188,070

NOTE 6 — OTHER PROPERTY OWNED, NET:

Net gain on other property owned, net consists of the following for the years ended December 31:

	2014	2013	2012
Gain on sale, net	**$ 1,216,404**	$ 635,902	$ 863,994
Operating expense, net	**(20,276)**	(76,737)	(88,602)
Net gain on other property owned	**$ 1,196,128**	$ 559,165	$ 775,392

At December 31, 2014, other property owned consisted of timber tracts with a carrying value of $718,745.

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2014	2013	2012
Accounts Receivable	**$ 429,525**	$ 313,820	$ 537,053
Other	**-**	-	2,640
Total	**$ 429,525**	$ 313,820	$ 539,693

Other liabilities comprised the following at December 31:

	2014	2013	2012
Accumulated Postretirement Benefit Obligation	**$ 3,070,049**	$ 2,328,506	$ 2,761,310
Insurance Premium Payable	**526,662**	454,893	267,826
Accounts Payable	**49,552**	31,876	38,156
Income Taxes Payable	**12,222**	7,416	72,167
Other	**1,355,746**	1,007,795	291,627
Total	**$ 5,014,231**	**$ 3,830,486**	**$ 3,431,086**

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets, and is governed by a GFA. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2015, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2014, 2013 and 2012, was $500,169,143 at 1.83 percent, $494,649,196 at 1.82 percent and $489,740,488 at 1.82 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on

specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2014, 2013 and 2012, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2014, was $625,900,246, as defined by the GFA.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the GFA associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2014, the Association was in full compliance with the GFA.

NOTE 9 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

The Association maintains an unallocated surplus account. The minimum amount for this account shall be prescribed by the Farm Credit Act and the FCA regulations. The Association does not have an allocated surplus account. Rather than earnings held therein and allocated to borrowers on a patronage basis, the Association funds 100 percent of any declared patronage through cash.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an Association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans) and participation certificates (for farm-related business) is equal to 2 percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the Board of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's Board. At December 31, 2014, the Association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the Board may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2014, 2013 and 2012, respectively:

Date Declared	Date Paid	Patronage
December 2014	**Anticipated April 2015**	**$ 4,500,000**
	Total 2014	**$ 4,500,000**
December 2013	March 2014	3,000,000
	Total 2013	$ 3,000,000
January 2013 (2012)	April 2013	1,700,134
	Total 2012	$ 1,700,134

The FCA's capital adequacy regulations require the Association to achieve permanent capital and total surplus of at least 7.0 percent and core surplus of at least 3.5 percent of risk-adjusted assets and off-balance-sheet commitments. Failure to meet the ratio requirements can initiate certain mandatory and possibly additional discretionary actions by the FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to stockholders unless prescribed capital standards are met. As of December 31, 2014, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the Board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year. The Association's permanent capital ratio, core surplus ratio and total surplus ratio at December 31, 2014, were 19.5 percent, 19.1 percent and 19.1 percent, respectively.

The Association has a capital adequacy plan (Plan) that includes capital targets necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. In addition to factors that must be considered in meeting the minimum standards, the Board considered the following factors in developing the Plan:

- Capability of management
- Quality of operating policies, procedures and internal controls
- Quality and quantity of earnings
- Asset quality
- Sufficiency of liquid funds
- Needs of the ACA customer base
- Other operating risks

The Association's specific Plan includes a minimum permanent capital ratio of 15.0 percent, with a target permanent capital ratio of 19.35 percent. Also included are total surplus ratio and core surplus ratio targets of 19.0 percent, respectively. The Association expects to provide the majority of its present and future capital needs through the issuance of at-risk stock and the generation and retention of earnings. If necessary to attain the desired capital levels, the Association may employ strategies such as utilizing Farmer Mac guarantee programs to lower risk ratings, reducing earning assets through sale of loan participations, utilizing FSA loan guarantees suspending payment of patronage, and/or increasing capitalization requirements. If capital standards are exceeded, the Board may retire or redeem certain classes of equities. The Board may obligate the Association to distribute its earnings in the form of patronage to its members.

On July 25, 2014, Association stockholders approved an amendment to the Association's capitalization bylaws addressing the amount of stock a borrower must purchase as a condition of borrowing from the Association.

The stock purchase required was applied on a per loan basis and measured as 2 percent of the individual loan amount up to a maximum of $1,000. Effective October 1, 2014, the stock requirement changed to be applied to the borrower level instead of the loan level. This will be measured as 2 percent of the aggregate of all borrowers' loans, up to a maximum of $1,000.

In relation to the amended stock requirement, the Board approved a "stock equalization" action or the refund of excess stock amounts to borrowers impacted by the conversion of the stock requirement from the loan level to the borrower level. The stock equalization refund is expected to have a minimal impact on the Association's permanent capital ratio. The stock equalization refund was completed in the fourth quarter of 2014.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A capital stock and participation certificates outstanding at a par value of $5 per share:

	2014	2013	2012
Class A stock	**462,893**	549,373	541,364
Participation certificates	**33,371**	30,580	29,419
Total	**496,264**	579,953	570,783

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	2014	2013	2012
Accumulated other comprehensive income at January 1	**$ 126,794**	$ 689,860	$ 401,894
Actuarial gains/(losses)	**636,094**	(553,452)	272,906
Amortization of prior service costs included in salaries and employee benefits	**52,738**	52,738	57,774
Amortization of actuarial gain included in salaries and employee benefits	**(12,686)**	(62,352)	(42,714)
Other comprehensive income (loss), net of tax	**676,146**	(563,066)	287,966
Accumulated other comprehensive income at December 31	**$ 802,940**	$ 126,794	$ 689,860

NOTE 10 — INCOME TAXES:

The provision for (benefit from) income taxes follows for the years ended December 31:

	2014	2013	2012
Current:			
Federal	**$ -**	$ 43,286	$ 99,398
Total current	**-**	43,286	99,398
Deferred:			
Federal	**21,881**	-	(16,661)
Total deferred	**21,881**	-	(16,661)
Total provision for income taxes	**$ 21,881**	$ 43,286	$ 82,737

The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2014	2013	2012
Federal tax at statutory rate	**$ 4,097,169**	$ 3,213,083	$ 3,138,826
State tax, net	**-**	-	18,001
Effect of nontaxable FLCA subsidiary	**(4,310,662)**	(3,476,585)	(3,048,253)
Patronage distributions	**-**	(31,290)	-
Change in valuation allowance	**214,616**	-	-
Other	**20,758**	338,078	(25,837)
Provision for income taxes	**$ 21,881**	$ 43,286	$ 82,737

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are comprised of the following at December 31:

	2014	2013	2012
Deferred Tax Assets			
Allowance for loan losses	**$ 3,592**	$ -	$ -
Annual leave	**10,840**	-	-
Loss carryforwards	**200,184**	-	-
Other	**-**	16,661	16,661
Gross deferred tax assets	**214,616**	16,661	16,661
Deferred Tax Liabilities			
Other	**(5,220)**	-	-
Gross deferred tax liabilities	**(5,220)**	-	-
Net deferred tax asset	**$ 209,396**	$ 16,661	$ 16,661

The Association recorded valuation allowances of $214,616, $0 and $0 during 2014, 2013 and 2012, respectively. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and Associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB plan as an expense in the current year.

The CEO and certain executive or highly-compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (Supplemental 401(k) Plan). This plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

The Association elected to participate in Elective Referrals. There were no payments or contributions made to or from the Supplemental 401(k) plan to active employees during 2014, 2013 or 2012.

The DB plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the Board of the FCBT. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. Actuarial information regarding the DB pension plan accumulated benefit obligation and plan asset is calculated for the District as a whole and is presented in the District's Annual Report to Stockholders. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2014.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
Funded status of plan	**67.5** %	77.3 %	65.0 %
Association's contribution	**$ 148,069**	$ 459,715	$ 505,242
Percentage of association's contribution to total contributions	**1.2** %	2.8 %	3.2 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 74.5 percent, 86.1 percent and 72.7 percent at December 31, 2014, 2013 and 2012, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. The Association pays 100 percent of the medical insurance premium for a retiree with 30 years or more of service. For retiring employees with less than 30 years, a pro rata share of the premium is paid by the Association based on the years of service of the employee.

In October 2014, the Society of Actuaries issued revised mortality tables (RP 2014) and a mortality improvement scale (MP 2014) for use by actuaries, insurance companies, governments, benefit plan sponsors and others in setting assumptions regarding life expectancy in the United States for purposes of estimating pension and other postemployment benefit obligations, costs and required contribution amounts. The new mortality tables indicate substantial life expectancy improvements since the last study published in 2000 (RP 2000). The adoption of these new tables resulted in an increase of $335,573 to our retiree welfare plan's projected benefit obligation.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits		**2014**		2013		2012
Change in Accumulated Postretirement Benefit Obligation						
Accumulated postretirement benefit obligation, beginning of year	**$**	**2,328,506**	$	2,761,310	$	2,362,720
Service cost		**57,560**		74,227		65,622
Interest cost		**119,201**		120,052		119,046
Plan participants' contributions		**34,329**		34,386		30,158
Plan amendments		**-**		-		-
Special termination benefits		**-**		-		-
Actuarial loss (gain)		**636,094**		(553,452)		272,906
Benefits paid		**(105,641)**		(108,017)		(89,142)
Accumulated postretirement benefit obligation, end of year	**$**	**3,070,049**	$	2,328,506	$	2,761,310
Change in Plan Assets						
Plan assets at fair value, beginning of year	**$**	**-**	$	-	$	-
Actual return on plan assets		**-**		-		-
Company contributions		**71,312**		73,631		58,984
Plan participants' contributions		**34,329**		34,386		30,158
Benefits paid		**(105,641)**		(108,017)		(89,142)
Plan assets at fair value, end of year	**$**	**-**	$	-	$	-
Funded status of the plan	**$**	**(3,070,049)**	$	(2,328,506)	$	(2,761,310)
Amounts Recognized in Statement of Financial Position						
Other liabilities	**$**	**(3,070,049)**	$	(2,328,506)	$	(2,761,310)
Amounts Recognized in Accumulated Other Comprehensive Income						
Net actuarial loss (gain)	**$**	**-**	$	370,904	$	986,709
Prior service cost (credit)		**(191,372)**		(244,110)		(296,848)
Net transition obligation (asset)		**994,312**		-		-
Total	**$**	**802,940**	$	126,794	$	689,861
Weighted-Average Assumptions Used to Determine Obligations at Year End						
Measurement date		**12/31/2014**		12/31/2013		12/31/2012
Discount rate		**4.55%**		5.20%		4.40%
Health care cost trend rate assumed for next year (pre-/post-65) - medical		**7.25%/6.75%**		7.50%/6.50%		7.25%/6.50%
Health care cost trend rate assumed for next year - Rx		**6.75%**		6.50%		7.75%
Ultimate health care cost trend rate		**5.00%**		5.00%		5.00%
Year that the rate reaches the ultimate trend rate		**2024**		2024		2023

Total Cost	**2014**	2013	2012
Service cost	**$ 57,560**	$ 74,227	$ 65,622
Interest cost	**119,201**	120,052	119,046
Expected return on plan assets	**-**	-	-
Amortization of:			
Unrecognized net transition obligation (asset)	**-**	-	-
Unrecognized prior service cost	**(52,738)**	(52,738)	(57,774)
Unrecognized net loss (gain)	**12,686**	62,352	42,714
Net postretirement benefit cost	**$ 136,709**	$ 203,893	$ 169,608
Accounting for settlements/curtailments/special termination benefits	**$ -**	$ -	$ -
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 636,094**	$ (553,452)	$ 272,906
Amortization of net actuarial loss (gain)	**(12,686)**	(62,352)	(42,714)
Prior service cost (credit)	**-**	-	-
Amortization of prior service cost	**52,738**	52,738	57,774
Recognition of prior service cost	**-**	-	-
Amortization of transition liability (asset)	**-**	-	-
Total recognized in other comprehensive income	**$ 676,146**	$ (563,066)	$ 287,966
AOCI Amounts Expected to be Amortized Into Expense in 2015			
Unrecognized net transition obligation (asset)	**$ -**	$ -	$ -
Unrecognized prior service cost	**(51,097)**	(52,738)	(52,738)
Unrecognized net loss (gain)	**66,478**	12,686	62,352
Total	**$ 15,381**	$ (40,052)	$ 9,614
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2013**	12/31/2012	12/31/2011
Discount rate	**5.20%**	4.40%	5.10%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.50%/6.50%**	7.25%/6.50%	8.50%/6.75%
Health care cost trend rate assumed for next year - Rx	**6.50%**	7.75%	8.00%
Ultimate health care cost trend rate	**5.00%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	**2024**	2023	2018

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)			
Fiscal 2015	**$ 72,043**	$ -	$ -
Fiscal 2016	**84,414**	-	-
Fiscal 2017	**99,439**	-	-
Fiscal 2018	**101,500**	-	-
Fiscal 2019	**120,602**	-	-
Fiscal 2020–2024	**694,721**	-	-
Expected Contributions			
Fiscal 2015	**$ 72,043**	$ -	$ -

NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons for the Association amounted to $27,164,550, $20,488,747 and $3,381,573 at December 31, 2014, 2013 and 2012, respectively. During 2014, $10,667,609 of new loans were made, and repayments totaled $8,074,525. In the opinion of management, no such loans outstanding at December 31, 2014, 2013 and 2012 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the Associations, such as FCSIC expenses. The Bank charges the individual Associations directly for these services based on each Association's proportionate usage. These expenses totaled $137,504, $143,450 and $125,515 in 2014, 2013 and 2012, respectively.

The Association received patronage payments from the Bank totaling $2,498,460, $2,544,257 and $2,723,149 during 2014, 2013 and 2012, respectively.

NOTE 13 — 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2014	**Fair Value Measurement Using**			**Total Fair**	**Total**
	Level 1	**Level 2**	**Level 3**	**Value**	**Gains (Losses)**
Assets:					
Loans	**$ -**	**$ -**	**$ 3,739,251**	**$3,739,251**	**$ -**
Other property owned	**-**	**-**	**798,606**	**798,606**	**-**

December 31, 2013	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Gains (Losses)
Assets:					
Loans	$ -	$ -	$ 2,916,596	$ 2,916,596	$ -
Other property owned	-	-	1,551,254	1,551,254	-

December 31, 2012	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Gains (Losses)
Assets:					
Loans	$ -	$ -	$ 6,216,034	$ 6,216,034	$ -
Other property owned	-	-	7,096,725	7,096,725	-

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

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:

	December 31, 2014				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 70,412	$ 70,412	$ -	$ -	$ 70,412
Net loans	618,177,855	-	-	617,029,047	617,029,047
Total Assets	$618,248,267	$ 70,412	$ -	$617,029,047	$617,099,459
Liabilities:					
Note payable to Farm Credit Bank of Texas	$500,169,143	$ -	$ -	$494,276,553	$494,276,553
Total Liabilities	$500,169,143	$ -	$ -	$494,276,553	$494,276,553

	December 31, 2013				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 49,942	$ 49,942	$ -	$ -	$ 49,942
Net loans	602,966,134	-	-	590,241,047	590,241,047
Total Assets	$603,016,076	$ 49,942	$ -	$590,241,047	$590,290,989
Liabilities:					
Note payable to Farm Credit Bank of Texas	$494,649,196	$ -	$ -	$484,350,600	$484,350,600
Total Liabilities	$494,649,196	$ -	$ -	$484,350,600	$484,350,600

	December 31, 2012				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 1,056,223	$ 1,056,223	$ -	$ -	$ 1,056,223
Net loans	578,549,808	-	-	576,321,681	576,321,681
Total Assets	$579,606,031	$ 1,056,223	$ -	$576,321,681	$577,377,904
Liabilities:					
Note payable to Farm Credit Bank of Texas	$489,740,488	$ -	$ -	$487,915,450	$487,915,450
Total Liabilities	$489,740,488	$ -	$ -	$487,915,450	$487,915,450

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Loans

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. 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.

Other Property Owned

Other property owned is generally classified as Level 3. The process for measuring the fair value of other property owned involves the use of 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.

Note Payable to the Bank

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

Information about other financial instruments fair value measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note Payable to Bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

NOTE 14 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are

agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2014 $64,196,231 of commitments and $737,816 of commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 15 — REGULATORY ENFORCEMENT MATTERS

The Association entered into an Agreement with the FCA on March 15, 2011. Per the Agreement, the Association was subject to various operational, financial, compliance and reporting requirements. The conditions which led to this Agreement were unsafe and unsound conditions, including excessive portfolio risk and asset quality weakness which stemmed from weaknesses in the credit underwriting function which became apparent with the downturn in the overall economy. The Board and management worked to remediate the underlying causes which led to the need for the Agreement with the FCA. Effective January 23, 2014, the FCA terminated the Agreement with the Association.

NOTE 16 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2014				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 4,398**	**$ 5,087**	**$ 4,347**	**$ 4,377**	**$ 18,209**
Provision for loan losses	**-**	**-**	**(10)**	**(3)**	**(13)**
Noninterest expense, net	**(2,186)**	**(1,983)**	**(526)**	**(1,887)**	**(6,582)**
Net income	**$ 2,212**	**$ 3,104**	**$ 3,811**	**$ 2,487**	**$ 11,614**

	2013				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,282	$ 4,680	$ 4,280	$ 4,311	$ 17,553
Provision for loan losses	-	(352)	-	(18)	(370)
Noninterest expense, net	(2,163)	(1,965)	(2,068)	(1,807)	(8,003)
Net income	$ 2,119	$ 2,363	$ 2,212	$ 2,486	$ 9,180

	2012				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,470	$ 4,394	$ 4,302	$ 4,342	$ 17,508
Provision for loan losses	-	(422)	(604)	-	(1,026)
Noninterest expense, net	(1,939)	(1,873)	(1,821)	(1,700)	(7,333)
Net income	$ 2,531	$ 2,099	$ 1,877	$ 2,642	$ 9,149

NOTE 17 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 11, 2015, which is the date the financial statements were issued or available to be issued.

There are no subsequent events requiring disclosure as of March 11, 2015.

DISCLOSURE INFORMATION AND INDEX

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

The Louisiana Land Bank, ACA (Association) serves its 64-parish territory through its main administrative and lending office at 2413 Tower Drive, Monroe, Louisiana 71201. Additionally, there are 10 branch lending offices located throughout the territory. The Association owns the office buildings in Hammond, Monroe, Opelousas, Shreveport and Winnsboro, free of debt. The Association leases the office buildings in Arcadia, Alexandria, Crowley, Port Allen and Tallulah, Louisiana.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, "Note Payable to the Bank," Note 11, "Employee Benefit Plans" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 14 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Bank as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The Bank and District annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the District's annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The District's annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, Louisiana 71201 or calling 318-387-7535. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *debbie.bond@louisianalandbank.com*. The Association's annual stockholder report is available on its

website at *www.louisianalandbank.com* 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2014, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
James Mark Morgan	Chairman & Stockholder-Elected Director	2011	2017
John L. "Jack" Dailey	Vice Chairman & Stockholder-Elected Director	2012	2016
Henry A. Capdeboscq, Jr.	Stockholder-Elected Director	2008	2017
Grady E. Coburn	Stockholder-Elected Director	2012	2016
John F. Earles	Stockholder-Elected Director	2010	2016
R. Ernest Girouard, Jr.	Stockholder-Elected Director	1990	2015
Gertrude Hawkins	Stockholder-Elected Director	2002	2017
Cecelia A. Hoyt*	Board-Appointed Director	2013	2016
Cullen M. Kovac	Stockholder-Elected Director	2012	2015
Edward W. Patrick, Jr	Stockholder-Elected Director	1994	2015
Bobby E. Stanley*	Board-Appointed Director	1991	2015
F. Stephen Austin	CEO	2011	
Christopher E. Bentley	CFO	2008	
Brian D. Turner	CCO	2012	
David A. Ogletree	Senior VP of Lending & Field Operations	1990	
Robert Wes Lowe	Chief Appraisal Officer	2012	

***Board Appointed Director: a board-appointed director who is not a stockholder, director, officer, employee or agent of a Farm Credit System institution (other than as an outside director of the Association or its subsidiaries).**

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

James Mark Morgan has been employed by Atco Investment Company, a privately held company, since 1974, and this has been his principal occupation for the past five years. Over the past 15 years, Mr. Morgan has been integrally involved in the investment activities and financial decisions of Atco. For the past 25 years, Mr. Morgan has served as the general manager of Atco-owned Bayou Camitte Plantation. Mr. Morgan serves on the board of directors of the Texas Forestry Association, an organization serving the timber industry, and is managing partner of Louisiana Timber Partners, LLC, a timberland investment organization. Mr. Morgan is the managing partner of Morgan Brothers Land Co. and Morgan Timber Partners, LLC, both family-owned land and timber investment companies. Mr. Morgan is the secretary for the Farm Credit Bank of Texas Stockholder Advisory Committee. Mr. Morgan is also a member of the Louisiana Forestry Association.

John L. "Jack" Dailey is an owner and operator of Boeuf Prairie Farm which produces cotton, corn and cattle, and this has been his principal occupation for the past five years. Mr. Dailey serves as chairman of the Franklin Parish Fire Protection District 2, vice chairman of Louisiana Boll Weevil Eradication Commission, and board member for Matthews Cemetery, Inc. He serves as a director for Franklin Parish Farm Bureau. He also serves as a producer delegate to the National Cotton Council of America. Mr. Dailey is a member of the Franklin Farmers Alliance, LLC which is a farmer-owned agriculture retail store.

Henry A. Capdeboscq, Jr. is a self-employed dairy and beef cattle operator, which has been his principal occupation for the past five years. Mr. Capdeboscq is also owner of Capdeboscq Farm Trucking, LLC and Capdeboscq Hauling, LLC. Mr. Capdeboscq serves on the Tangipahoa Parish Cattlemen's Association board, an organization serving the beef industry, and is a board member on the Louisiana Brand Commission. Mr. Capdeboscq is also a member of the Tangipahoa Parish Farm Bureau, Tangipahoa Parish Forestry Association, Tangipahoa Parish Dairy Advisory Committee and Louisiana Cattlemen's Association.

Grady E. Coburn is the owner and president of Pest Management Enterprises, LLC, which has been his principal occupation for the past five years. Mr. Coburn has worked as an agricultural consultant and contract researcher for 40 years. He is a board member of the Louisiana Department of Agriculture Pesticide Advisory Commission, the Boll Weevil Eradication Technical Advisory Board and the Bayou Boeuf Cooperative board of directors.

John F. Earles owns and operates Triple E Farms, which has been his principal occupation for the past five years. Mr. Earles is president of Townsend Brothers Farms and serves as secretary/treasurer for Triple E Land Grading. He is president of Earles, Inc., a land and rice dryer organization, Gold Dust Hunting Club, Inc., and Black Lake Hunting Club, Inc. Mr. Earles serves as secretary/treasurer of Triple E Land Grading, a precision land leveling and development organization, Townsend Brother Farms, Inc., Cenla Fuels, LLC and Bunkie Flying Service, Inc. He currently serves as a police juror for Avoyelles Parish.

R. Ernest Girouard, Jr. is employed by the LSU AgCenter, where he is the state coordinator of the Louisiana Master Farmer Program, which has been his principal occupation for the past five years. Mr. Girouard is also a landowner with rice and crawfish commodities. He is the chairman of the Vermilion Soil and Water Conservation District, a local state entity under the Louisiana Department of Agriculture and Forestry, Office of Soil and Water.

Gertrude Hawkins is employed by the LSU AgCenter Sugar Research Station where she is a research associate. This has been her principal occupation for the past five years. She farms cotton, corn, soybeans, sugarcane and wheat with her brother. She manages the Edgar LaCour Land Company which is a family-owned business consisting of timber and row crops. Mrs. Hawkins also manages LaCour & Blake, LLC and is a partner in G&L Farm Partnership and GNG Farm Partnership. She is a board member of the Pointe Coupee Parish Farm Bureau, Edgar LaCour Land Company, LLC and LaCour & Blake, LLC. Mrs. Hawkins is also the president of Schwab Farms, Inc. and secretary for Bouanchaud Farms, Inc., Gilmer Farms, Inc. and G&M Farms, Inc. Mrs. Hawkins serves as a member of American Sugar Cane League, Louisiana Sugar Growers, American Society of Sugar Cane Technologists and Tri Parish Gin.

Cecelia A. Hoyt is a Certified Public Accountant with over 30 years of broad accounting and business experience and expertise. She earned a B.S. degree in biology from the University of New York at Buffalo and a B.S degree in accounting from Canisius College. Mrs. Hoyt's principal occupation for the past five years has been a part-time controller and accounting manager for Hoyt and Stanford, LLC and a part-time tax associate for Darnall, Sikes, Gardes & Frederick, ACCPAs. Mrs. Hoyt is a member of the American Institute of Certified Public Accountants and the Louisiana State Society of Certified Public Accountants.

Cullen M. Kovac is an owner/operator in Kovac Cattle, LLC, which is a cow/calf and stocker operation, which has been his principal occupation for the past five years. Mr. Kovac serves on the board of Pioneer Farmers Co-op, an agricultural co-op. Mr. Kovac is vice president of the Fiske Union Water System. He also serves as chairman of the West Carroll Soil and Water Conservation District Board and is president of the West Carroll Parish Farm Bureau.

Edward W. Patrick, Jr. is a self-employed farmer of cotton, rice, corn and soybeans, which has been his principal occupation for the past five years. Mr. Patrick is co-owner and operator of Joe's Bayou Gin. Mr. Patrick serves as president and director of Joe's Bayou Farm Supply, PP&E Corporation and Pop Pat, Inc. PP&E Corporation and Pop Pat, Inc. are both farming entities. He is also vice president and director of Joe's Bayou Gin. Mr. Patrick is a director on the East Carroll Farm Bureau Board.

Bobby E. Stanley is a self-employed business accountant, which has been his principal occupation for the past 5 years. He is a board member of a local community bank and serves as the treasurer for the 18th Judicial District Court.

F. Stephen Austin serves as the **Chief Executive Officer** for Louisiana Land Bank, ACA. Mr. Austin joined the Association in 2011 as chief credit officer and was promoted to CEO in 2013. Mr. Austin's principal occupation for the past five years has been with the Association and a commercial bank. Mr. Austin earned a B.S. degree in agriculture with a minor in marketing from Southeast Missouri State University. He also completed the Graduate School of Banking at Louisiana State University. His work experience includes over 17 years in lending and branch manager positions with the Farm Credit System entities in Illinois and Missouri. Prior to his tenure with the Association, he served for over eight years as the senior lender of a regional five-bank holding company in southeast Missouri.

Christopher E. Bentley, Chief Financial Officer, joined the Association in July 2008 and was promoted to CFO during 2012. He is a graduate of Louisiana Tech University with a bachelor of science degree in finance. Mr. Bentley has previously served as senior accountant, controller, and director of compliance, controls and risk management for the Association. Prior to his employment with the Association, Mr. Bentley spent over four years working for a regional commercial bank, primarily with the commercial real estate lending group. Mr. Bentley also serves as chairman of the Association's Asset/Liability Committee.

Brian D. Turner, Chief Credit Officer, joined the Association in January 2012 as director of compliance, controls and risk and was promoted to chief credit officer during 2013. His principal occupation during the past five years has been with the Association and a commercial bank. Mr. Turner has over 18 years of banking experience in credit analysis, commercial lending and risk management. Prior to joining the Association, Mr. Turner was employed by a local commercial bank for over 12 years and served as senior vice president/credit risk management and senior vice president of commercial lending, respectively. He received a B.A. degree in legal studies from the University of Louisiana at Monroe and an M.B.A. in finance from Louisiana Tech. He has completed the Graduate School of Banking at Louisiana State University. Mr. Turner also serves as chairman of the Association's Loan Committee.

David A. Ogletree has been with the Association since 1987 and currently serves as **Senior Vice President of Lending and Field Operations.** He has B.S. degrees in animal science and agricultural business from Louisiana Tech University and completed the Graduate School of Banking at Louisiana State University. Mr. Ogletree also serves as a director on the board of the Ark-La-Tex Agricultural Council which is a nonprofit organization that promotes agriculture in the state of Louisiana.

Robert "Wes" Lowe joined the Association as senior appraiser in July 2012 and was promoted to **Chief Appraisal Officer** in 2013. His principal occupation during the past five years has been with the Association and as a review appraiser for the U.S. Army Corps of Engineers in the New Orleans and Vicksburg Districts. He also worked as an independent fee appraiser and real estate broker in northeast Louisiana and southeast Arkansas for over 15 years specializing in agricultural and recreational properties. Mr. Lowe received a B.S. degree in construction management from the University of Louisiana at Monroe and is an accredited ARA member of the American Society of Farm Managers and Rural Appraisers. He is currently serving as president of the Mid-South Society of Farm Managers and Rural Appraisers Association.

COMPENSATION OF DIRECTORS

Effective January 1, 2014, the Board adopted a new Director Compensation/Expense Reimbursement Policy. The Chairman of the Board received a monthly retainer of $2,000 in lieu of any other payment for board or committee meeting attendance and received the same compensation as any other director for training days and special meetings. The Vice Chairman of the Board received a monthly retainer of $750 per month and all other directors received a monthly retainer of $500.

Directors, other than the Chairman of the Board, received $750 for attending each board meeting, with no additional compensation for attending committee meetings held on the same day of the board meeting being paid. Compensation for attending external training or special meetings was $500 per day. Committee chairs, except for the Audit Committee Chair, received $150 for each meeting, whether on the same day as the board meeting or on a different day. The Audit Committee Chair received $250 for each meeting. Conference call compensation, with the exception of the Chairman of the Board, was $150.

Actual travel expenses will be paid in connection with all official meetings and the mileage reimbursement rate will be at the current IRS-approved rate. A copy of the Compensation Policy is available to stockholders of the Association upon request. Mileage for attending official meetings during 2014 was paid at the IRS-approved rate of 56 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

Director	Number of Days Served Associated With: Board Meetings	Other Official Activities	Total Compensation in 2014
James Mark Morgan	11	14	$ 26,650
John L. "Jack" Dailey	12	3	18,400
Henry Capdeboscq, Jr.	12	4	17,450
Grady Coburn	12	8.5	20,350
John F. Earles	12	8	19,950
R. Ernest Girouard, Jr.	12	7	25,500
Gertrude Hawkins	12	4	19,150
Cecelia A. Hoyt	12	7	20,950
Cullen M. Kovac	12	14.5	23,950
Edward W. Patrick, Jr	11	4	17,500
Bobby E. Stanley	12	8	21,700
			$ 231,550

The aggregate compensation paid to directors in 2014, 2013 and 2012 was $231,550, $224,900 and $224,675, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows:

Director	Committee: Audit	Compensation	Governance & Compliance
James Mark Morgan	$ 450	$ 500	$ -
John L. "Jack" Dailey	600	-	500
Henry A. Capdeboscq, Jr.	150	-	-
Grady E. Coburn	150	650	-
John F. Earles	-	150	500
Gertrude Hawkins	-	1,850	-
Cecelia A. Hoyt	1,850	-	
Cullen M. Kovac	450	-	950
Edward W. Patrick, Jr	-	150	800
Bobby E. Stanley	2,100	-	-
	$ 5,750	$ 3,300	$ 2,750

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $33,767, $36,473 and $46,652 in 2014, 2013 and 2012, respectively.

In 2014, the Board dissolved the Compliance Committee, whose primary responsibility was oversight of the Agreement between FCA and the Association. Refer to Note 15, "Regulatory Enforcement Matters," for additional information.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Fair and uniform salary administration is important and an integral part of the success of Louisiana Land Bank, ACA. The Board, through its Compensation Committee (Committee), has pursued a Salary Administration Plan for the Association that includes the specific objectives as listed below:

- To attract, retain and motivate all personnel needed for the Association to achieve its strategic goals and project plans;
- To ensure fair and equitable compensation opportunities for those who hold positions of comparable responsibility and importance
  to the Association;
- To meet legal requirements in all compensation practices;
- To provide objective methods for measuring the relative value of jobs within the Association;
- To encourage the highest possible degree of employee performance, motivation and overall contribution to the Association;

- To provide for recognition of and reward for differences in individual ability and performance;
- To establish and maintain salaries and grade ranges which position the Association to be competitive in the marketplace;
- To establish procedures that will provide for the fair and consistent monitoring of the salary administration system and application of salary practices within our organization.

The Committee establishes the overall compensation structure and executive compensation philosophy and principles of the Association in order to ensure competitive compensation programs and retention of key management and staff talent. The Committee annually reviews the Salary Administration Plan which addresses merit increases, salary adjustments, incentive plans, bonuses and employee benefits and approves these programs for senior officers and employees. Market salary data is derived from an independent third-party vendor through the Bank which is utilized to ensure that proper compensation structures are in line with market-comparable positions with similarly situated financial institutions. The study provides the basis for actions by the Committee to review, recommend and present to the Board plans for final approval. The Committee makes recommendations to the Board with regard to base salary, incentive and/or bonus payments and other compensation for the CEO and also approves the overall compensation program for senior officers. The Association's compensation program encompasses four primary elements: (1) base salary, (2) discretionary and/or incentive bonus compensation, (3) Association-paid retirement benefits and (4) secondary benefits such as annual leave, Association-paid life insurance, and Association-provided vehicles.

Certain employees of the Association participate in the Farm Credit Bank of Texas Pension Plan (the Pension Plan), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average of monthly eligible compensation after 1996 (FAC60). The Pension Plan's benefit formula for a normal retirement pension is the sum of (a) 1.65 percent of FAC60 times Years of Benefit Service and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation times (ii) Years of Benefit Service (not to exceed 35).

Chief Executive Officer (CEO)/Top Six Employee Compensation Policy

The following table summarizes the compensation paid to the CEO, senior officers and highly compensated employees of the Association during 2014, 2013 and 2012. 2014 includes other non-senior officers because their compensation is within the range of the pay of the senior officers. The total number of employees reported in 2014 is six. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group(a)	Year	Salary(b)	Bonus(c)	Change in Pension Value(d)	Deferred/ Perquisite(e)	Other(f)	Total
F. Stephen Austin							
CEO	**2014**	**$ 235,000**	**$ 45,300**	**$ -**	**$ 28,565**	**$ -**	**$ 308,865**
	2013	192,317	25,736	-	23,458	200	241,711
Jesse A. Craft							
CEO	2013	51,252			21,892	187,337	260,481
	2012	205,008	-	-	19,152	211	224,371
Aggregate Number of Senior Officers & other highly compensated employees							
6	**2014**	**$ 907,975**	**$ 148,272**	**$ 495,207**	**$ 107,121**	**$ 12,429**	**$1,671,004**
5	2013	733,370	42,542	(78,275)	77,342	121,183	896,162
5	2012	648,723	16,571	N/A	50,325	135,916	851,535

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.

(b) Base salary.
(c) Represents incentive rewards, spot bonuses, gift and retirement awards, etc.
(d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year. This value is not reflected for senior officers for 2012.
(e) Represents Association-paid contributions made to 401(k) and defined contribution plans, excess life insurance, accidental, death & dismemberment, business travel & long term disability premiums and automobile benefits. This value is not reflected for senior officers for 2012.
(f) Amounts in the "Other" column include annual leave hours over 240 and severance pay.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Salary is the base salary compensation earned and paid during the respective year. Incentive compensation is earned and accrued in the current year, pursuant to the Association's Incentive Compensation Plan. Over and above base salary, incentive compensation is available to all full-time, permanent employees, based upon the achievement of predetermined performance goals. The Association's Incentive Compensation Plan and total incentive compensation dollars are approved annually by the Committee and are at the full discretion of the Board.

The incentive plan is a metric based plan that measures Association key result areas including specific Association target checks. Senior officers and employees are covered by the plan. The administrative staff and lending staff operate on separate plans approved by the Committee and the Board. The lending staff plan allocates potential incentive pay of a percentage of salary based on performance. Key result areas include loan volume growth, credit quality and net income. The weighting of these areas is consistent with Association business goals as approved by the Board. In addition, targets are incorporated into the plan so that if the Association does not perform as required, then no incentive compensation is allocated to individuals. The target checks include minimum and zero compensation measurement of Association credit quality and earnings to derive a final incentive payout. Payment of incentive compensation is paid on a lump sum basis after the Committee recommends and the Board approves the final payouts. The administrative staff plan is a metric based plan that measures the Association's key results areas. Senior officers (excluding the CEO & SVP/Lending & Field Operations) and administrative employees are covered by the plan. The plan allocates potential incentive pay as a percentage of salary based on performance. Key result areas include areas deemed critical to operations including loan growth, credit quality and credit administration. The weighting of these areas is consistent with the Association's business goals as approved by the Board. The combined awards cannot exceed the incentive pool funding. The pool funding amount is calculated on a percentage of actual versus budget results. The plan contains a maximum funding ceiling capped at a Board approved percentage of the combined base salaries of the administrative employees. The plans are focused on helping the Association fulfill its charter to serve the borrowers' needs of the agribusiness community of Louisiana.

Deferred and perquisite compensation includes retirement plan activity, which is contributions to 401(k) plans and defined benefit plans. Other compensation includes premiums paid for life, accidental death and dismemberment, business travel, long term disability insurance, employee's annual leave and auto income. Group term life insurance is provided to all eligible employees in an amount equal to two times the employees' base salary. To the extent that the value of this life insurance exceeds $50,000, an amount is added to each respective employee's taxable earnings using the IRS-approved calculations. Accidental death and dismemberment insurance is provided to all eligible employees in an amount equal to two times the employees' base salary, up to $1 million. Business travel accident insurance is provided to all eligible employees in an amount equal to five times the employees' base salary, up to $1 million. Long term disability insurance is provided to all eligible employees with a benefit amount equal to 2/3 of the employees' monthly base salary, up to $15,000 per month. Amounts relating to excess life, AD&D, business travel and LTD insurance are included in "Deferred/Perquisite" in the table of CEO/Top 6 Compensation. Per Association policy, employees are allowed to carry over a maximum of 240 hours of annual leave from one calendar year to the next. Policy also dictates that the employee must take 80 hours of leave each calendar year to have all hours over 240 refunded; otherwise, all excess annual leave is forfeited. Amounts relating to 2014, 2013 and 2012 excess annual leave time paid to employees are included in "Other" in the table of CEO/Top 6 Compensation.

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2014 at the IRS-approved rate of 56 cents per mile.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

Neither the CEO nor any other senior officer received non-cash compensation exceeding $5,000 in 2014, 2013 or 2012.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to Top 6 employees for the year ended December 31, 2014:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2014
Aggregate Number of Senior Officers & other highly compensated employees				
2	Farm Credit Bank of Texas Pension Plan	36.5	$ 3,253,220	$ -

The Association's CEO does not participate in the defined benefit pension plan.

Pension Benefits Table Narrative Disclosure

Certain senior officers and other highly compensated employees of the Association participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a normal retirement pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the normal retirement pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer, and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors have been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer on January 1, 2014, or at any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

There were no changes in the relationship with the independent auditor during 2014. The fees for professional services rendered for the Association by PricewaterhouseCoopers, LLP during 2014 were $85,130 for audit and tax services.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers, LLC dated March 11, 2015, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by FCA regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of young, beginning and small farmers (YBS) and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of the YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standard possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets annual goals and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young," "beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of loan date
- Beginning: 10 years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250,000 in annual gross sales of agricultural products

The 2012 USDA Census of Agriculture for Louisiana indicates that 5.29 percent of the total number of Louisiana farmers was classified as young, 25.25 percent was classified as beginning, and 91.24 percent was classified as small.

Goals for YBS lending, as a percentage of the total loan portfolio and strategic performance levels are established as follows:

(The following percentages are cumulative in volume and categories are inclusive.)

% of loan portfolio

		2015		2016		2017	
YEAR		% Loans	% Volume	% Loans	% Volume	% Loans	% Volume
Young		21.25%	13.50%	21.75%	14.00%	22.50%	15.00%
Beginning		53.00%	51.50%	53.50%	52.00%	54.00%	52.50%
Small		72.00%	59.00%	72.50%	60.00%	73.00%	61.00%

Goals for YBS lending, as a percentage of annual new business activity for the year are established as follows:

(The following percentages are cumulative in volume and categories are inclusive.)

% of annual new business

		2015		2016		2017	
YEAR		% Loans	% Volume	% Loans	% Volume	% Loans	% Volume
Young		16.00%	13.50%	17.00%	14.00%	18.00%	14.50%
Beginning		52.00%	50.00%	52.00%	51.00%	52.50%	52.00%
Small		72.00%	59.00%	72.50%	59.50%	73.00%	60.00%