2014 ANNUAL REPORT

Central Texas Farm Credit, ACA

DECEMBER 31, 2014

Janice Hipsher, lifesdelightsphotography.com

Part of the Farm Credit System

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REPORT OF MANAGEMENT

The consolidated financial statements of Central Texas Farm Credit, 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 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' 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. The Association is also examined by the Farm Credit Administration.

The board of directors 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 our knowledge or belief.

Boyd J. Chambers

Boyd J. Chambers, Chief Executive Officer and President

March 11, 2015

Robby A. Halfmann, Chairman, Board of Directors

March 11, 2015

Zach May

Zach May, Chief Operating Officer

March 11, 2015

REPORT OF AUDIT COMMITTEE

The Audit Committee (committee) is composed of the entire board of directors of Central Texas Farm Credit, ACA. In 2014, 11 committee meetings were held. The committee oversees the scope of Central Texas Farm Credit, ACA'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 Central Texas Farm Credit, ACA's website. The committee approved the appointment of PricewaterhouseCoopers LLP for 2014.

Management is responsible for Central Texas Farm Credit, ACA's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted 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 Central Texas Farm Credit, ACA's consolidated financial statements in accordance with auditing standards generally accepted 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 Central Texas Farm Credit, ACA'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 Central Texas Farm Credit, ACA's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PricewaterhouseCoopers LLP its independence from Central Texas Farm Credit, ACA. 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 of directors include the audited consolidated financial statements in Central Texas Farm Credit, ACA's Annual Report to Stockholders for the year ended December 31, 2014.

Audit Committee Members

Name	Position
Burl D. Lowery	Chairman
Robby A. Halfmann	Vice Chairman
Mike Finlay	Member
Kenneth D. Harvick	Member
Philip W. Hinds	Member
Steven Lehrmann	Member

March 11, 2015

CENTRAL TEXAS FARM CREDIT, ACA

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

	2014	2013	2012	2011	2010
Balance Sheet Data					
Assets					
Cash	**$ 982**	$ 534	$ 1,611	$ 1,150	$ 766
Loans	**423,927**	403,912	386,053	378,541	390,781
Less: allowance for loan losses	**573**	656	1,748	879	1,622
Net loans	**423,354**	403,256	384,305	377,662	389,159
Investment in and receivable from the Farm Credit Bank of Texas	**6,464**	6,029	6,047	6,273	6,596
Other property owned, net	**129**	652	523	553	-
Other assets	**4,688**	4,250	4,266	4,515	6,214
Total assets	**$ 435,617**	$ 414,721	$ 396,752	$ 390,153	$ 402,735
Liabilities					
Obligations with maturities of one year or less	**$ 9,324**	$ 7,859	$ 7,537	$ 6,848	$ 11,065
Obligations with maturities greater than one year	**329,315**	314,550	302,199	301,018	314,807
Total liabilities	**338,639**	322,409	309,736	307,866	325,872
Members' Equity					
Capital stock and participation certificates	**2,149**	2,152	2,120	2,206	2,255
Unallocated retained earnings	**95,251**	90,102	85,182	80,222	74,666
Accumulated other comprehensive (loss) income	**(422)**	58	(286)	(141)	(58)
Total members' equity	**96,978**	92,312	87,016	82,287	76,863
Total liabilities and members' equity	**$ 435,617**	$ 414,721	$ 396,752	$ 390,153	$ 402,735
Statement of Income Data					
Net interest income	**$ 12,957**	$ 12,393	$ 12,131	$ 12,074	$ 11,090
Loan loss reversal or (provision for loan losses)	**104**	21	(863)	259	(1,022)
Income from the Farm Credit Bank of Texas	**1,540**	1,440	1,426	1,468	1,825
Other noninterest income	**989**	237	827	599	1,052
Noninterest expense	**(5,242)**	(4,371)	(3,961)	(4,323)	(4,587)
Benefit from income taxes	**-**	-	-	(20)	-
Net income	**$ 10,348**	$ 9,720	$ 9,560	$ 10,057	$ 8,358
Key Financial Ratios for the Year					
Return on average assets	**2.4%**	2.4%	2.4%	2.5%	2.1%
Return on average members' equity	**10.4%**	10.4%	11.0%	12.4%	11.2%
Net interest income as a percentage of average earning assets	**3.1%**	3.2%	3.2%	3.1%	2.8%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.3%	0.0%	0.1%	0.5%

CENTRAL TEXAS FARM CREDIT, 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	**22.3%**	22.3%	21.9%	21.1%	19.1%
Debt as a percentage of members' equity	**349.2%**	349.3%	356.0%	374.1%	424.0%
Allowance for loan losses as a percentage of loans	**0.1%**	0.2%	0.5%	0.2%	0.4%
Permanent capital ratio	**21.3%**	20.8%	20.5%	19.7%	17.4%
Core surplus ratio	**20.8%**	20.3%	19.9%	19.2%	16.7%
Total surplus ratio	**20.8%**	20.3%	19.9%	19.2%	16.7%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 4,800**	$ 4,600	$ 4,500	$ 3,200	$ 2,500

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 Central Texas Farm Credit, ACA, including its wholly-owned subsidiaries, Central Texas PCA and Central Texas Land Bank 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:

2014

In December 2014, the Association received a direct loan patronage of $1,382,295 from the Farm Credit Bank of Texas (Bank) representing 43 basis points on the average daily balance of the Association's direct loan with the Bank. In addition, the Association received $52,750 in patronage payments from the Bank representing 75 basis points on the average daily balance of Association loan volume in the Bank's participation pool program. The Association also received $104,954 in patronage payments throughout the course of the year based on the Association's stock investment in the Bank.

Effective October 15, 2014, Michael Antle resigned from his position as controller of Central Texas Farm Credit, ACA. Controller duties were handled by existing Association staff until Keith Prater was hired as the new controller on January 20, 2015.

The chairman of the board and audit committee, Jerry Don Klose, did not run for re-election in April 2014 because he reached the mandatory retirement age of 70. Mr. Klose officially stepped down after the May 2014 board meeting once the election results were known, and his seat had been filled by Steven Lehrmann. At the June 2014 meeting, the board elected Robby A. Halfmann to serve as the board chairman, Kenneth D. Harvick to serve as vice chairman, and Burl D. Lowery to serve as the audit committee chairman.

2013

In December 2013, the Association received a direct loan patronage of $1,330,745 from the Bank, representing 44 basis points on the average daily balance of the Association's direct loan with the Bank. During 2013, the Association received $109,486 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

Effective March 31, 2013, Alan Benedict retired as controller and treasurer of Central Texas Farm Credit, ACA. Mike Antle was promoted to controller effective January 1, 2014.

The board adopted a resolution at its March meeting which amended the ACA bylaws to reduce the size of the board from eight directors (seven stockholder-elected and one director-elected) to six (five stockholder-elected and one director-elected) to be effective upon the close of the Association's Annual Stockholder's Meeting on April 23, 2013. In April 2013, upon the expiration of their terms, directors A. Wayland Shurley and Mickey D. Dillard did not run for re-election because they reached the mandatory retirement age of 70. These positions were eliminated to facilitate the board size reduction plan.

2012

In December 2012, the Association received a direct loan patronage of $1,300,049 from the Bank, representing 43 basis points on the average daily balance of the Association's direct loan with the Bank. During 2012, the Association received $126,190 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

In April 2012, board chairman Brent Heinze decided not to seek re-election in an effort to assist the Association in reducing the number of directors on the board. In June 2012, the Association board of directors elected director Jerry Don Klose to succeed Brent Heinze as the board chairman.

In May 2012, the Association received a refund from the Farm Credit System Insurance Corporation (FCSIC) of prior year insurance premiums totaling $338,305 which was taken into income for 2012.

In November 2012, outside director Glenn Miller resigned his director position and in December 2012, Burl D. Lowery was appointed by the board to fill the position effective January 1, 2013.

Problem Loans

2014

During the first quarter of 2014, a recovery of $8,210 was made on a loan that had been charged off in 2009.

During the second quarter of 2014, a participation loan formally restructured in 2009, and previously reported as a TDR, was paid in full.

During the third quarter of 2014, a recovery of $25,052 was made on an operating loan that was charged off in 2013.

In 2010, the Association, through a purchased participation as a part of a lending group, acquired a small percentage ownership interest in an ethanol plant. In August 2014, the Association sold its equity interest in the ethanol plant. The total sales price of the Association's equity interest was $1,400,400 and resulted in a gain on sale of $877,350.

2013

During the second quarter of 2013 a participation loan that was deemed non-viable in 2012 was further evaluated resulting in the need for an additional $180,000 to be added to the specific allowance. This resulted in a total specific allowance of $1,157,000 at the end of the second quarter. In addition, this evaluation resulted in a charge-off of $670,000. The resulting nonaccrual balance on this loan was $2,441,721 at the end of the second quarter.

During the fourth quarter the previously mentioned participation loan was revalued as a result of the impending sale of the company's assets. Initially this caused a reduction in the specific allowance in the amount of $195,425, bringing the overall specific allowance down to $961,575. After the sale was completed the entire specific allowance of $961,575 was charged off and a related nonaccrual premium, in the amount of $3,655, was taken into income. The assets were then moved into acquired property in the amount of $2,146,491. Soon after the acquired property was set up, the Association received two disbursements of proceeds from the sale in the amounts of $1,941,809 and $75,607. These reduced the acquired property balance relating to this loan. The ending overall acquired property balance for 2013 was $652,125.

During the fourth quarter two operating loans were moved into nonaccrual status and $179,624 was charged off, resulting in a remaining book balance of $25,892 as of year-end.

2012

During the third quarter a participation loan that had previously been deemed non-viable in 2009 and then later that same year was returned to an accruing status, again encountered financial difficulty and was deemed non-viable. The $3,111,721 loan was transferred to nonaccrual in late September with a $920,000 specific allowance for loan loss being made. A reversal of $7,552 in current year interest accruals was also taken at the time this loan was transferred to nonaccrual status. In late December 2012, upon further evaluation of this loan's financial condition, an addition of $57,000 to the existing specific allowance was determined to be necessary, bringing the total specific allowance to $977,000 as of 2012 year end.

Territory Conditions

The Association's territory received more rain in 2014 than in previous years, but many areas are still in need of additional moisture. Wheat yields in the territory in 2014 were mixed. A late freeze in some areas prevented what would have otherwise been a good crop. Prices were down but still better than historical averages. Cotton prices were much lower in 2014 but production was above average to good in most areas. Hopefully the Association's territory will see more moisture in 2015 so farmers can achieve higher yields to offset predominantly lower prices for wheat and cotton.

While livestock prices were very strong in 2014, and are expected to stay strong for the foreseeable future, most operators in the area either liquidated or deeply culled their herds in 2011 and 2012 due to poor pasture conditions and high feed prices. The Association has begun to see some rebuilding of the cow herd and those that still have cattle should do well in 2015 if the Association's territory sees sufficient rainfall. Hay production was better in 2014 compared to the previous three years but prices have remained fairly high. There appears to be a significant amount of hay accumulated in many areas which could lead to lower prices in the spring—especially for the lower quality hay. Dairy prices were strong in 2014 with Class III milk prices averaging over $22 per CWT, but the average futures price for Class III milk in 2015 is much lower at $15 per CWT. However, the decrease in milk prices should be partly mitigated by lower feed costs—especially corn.

The local economies in our chartered territory are relatively strong. The unemployment rate is low, real estate prices are stable and the number of land sales has started to increase. The majority of the Association's new loans made during the past number of years have been to absentee landowners looking for a place for a small agricultural operation or for recreational use. As such, the Association has a diversified borrower base that is not concentrated in only one industry. Even those borrowers who are primarily agricultural producers typically have outside income from a spouse's employment, part-time jobs, investments, etc. The above is reflected in the Association's sound credit quality and small number of delinquencies.

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 one 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.

The Association's chartered territory loan volume experienced positive growth of $16,699,742 and $20,606,913 during 2014 and 2013, respectively, in comparison to a significant decline of $5,349,058 in the chartered territory loan portfolio during 2012. Loan volume in the outlying Texas counties continued to decline in 2014 in the amount of $548,999 compared to declines of $621,017 and $4,846,183 in 2013 and 2012, respectively. The out-of-state portion of the Association's portfolio grew slightly, increasing by $1,480,911.

The composition of the Association's loan portfolio, including principal less funds held of $423,926,621, $403,911,853 and $386,053,139 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 $75,676,272, $74,969,440 and $73,336,406, or 17.9 percent, 18.6 percent and 19.1 percent of loans, respectively. The Association has never purchased any participation interest in any loans from any entities outside of the Texas Farm Credit District. The Association has also sold participations of $14,730,692, $9,527,086 and $336,394 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	**$ 184,904**	**58.9%**	$ 155,885	10.7%	$ 4,239,610	78.0%
Formally restructured	**-**	**0.0%**	646,649	44.5%	674,451	12.4%
Other property owned, net	**129,075**	**41.1%**	652,125	44.8%	523,049	9.6%
Total	**$ 313,979**	**100.0%**	$ 1,454,659	100.0%	$ 5,437,110	100.0%

At December 31, 2014, 2013 and 2012, loans that were considered impaired were $184,904, $802,534 and $4,914,061, representing 0.04 percent, 0.2 percent and 1.3 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

The Association is not affected to any material extent by any seasonal characteristics. This is due in part to the fact that true production loans comprise a small part of the Association's total loan portfolio and in part to the diversification in the portfolio, both in geographic distribution and in sources of repayment. In addition, the Association is not dependent upon any single customer or single commodity or industry because of loan size or commodity concentration, again due to lack of very large loans in the portfolio and the diversity present in the loan portfolio. No loans in the portfolio have any inherent special features that would have a material impact on the expected collectability of said loans.

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	**$ 572,782**	$ 655,898	$ 1,748,030
Allowance for loan losses to total loans	**0.1%**	0.2%	0.5%
Allowance for loan losses to nonaccrual loans	**309.8%**	420.8%	41.2%
Allowance for loan losses to impaired loans	**309.8%**	81.7%	35.6%
Net charge-offs to average loans	**0.0%**	0.3%	0.0%

The allowance for loan losses is evaluated quarterly and maintained based upon individual analysis 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. Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $572,782, $655,898 and $1,748,030 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. Management continues to evaluate and refine its risk weighting methodology for determining the levels of allowance for loan losses needed.

Results of Operations:

The Association's net income for the year ended December 31, 2014, was $10,348,415 as compared to $9,719,930 for the year ended December 31, 2013, reflecting an increase of $628,485, or 6.5 percent. The Association's net income for the year ended December 31, 2012 was $9,560,071. Net income increased $159,859, or 1.7 percent, in 2013 versus 2012.

Net interest income for 2014, 2013 and 2012 was $12,957,499, $12,393,400 and $12,130,715, respectively, reflecting increases of $564,099, or 4.6 percent, for 2014 versus 2013 and $262,685, or 2.2 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	**$ 411,749,755**	**$ 18,634,118**	$ 388,443,489	$ 17,928,656	$ 382,546,381	$ 18,326,881
Interest-bearing liabilities	**321,682,091**	**5,676,619**	302,754,675	5,535,256	302,537,985	6,196,166
Impact of capital	**$ 90,067,664**		$ 85,688,814		$ 80,008,396	
Net interest income		**$ 12,957,499**		$ 12,393,400		$ 12,130,715

	2014 Average Yield	2013 Average Yield	2012 Average Yield
Yield on loans	**4.53%**	4.62%	4.79%
Cost of interest-bearing liabilities	**1.76%**	1.83%	2.05%
Interest rate spread	**2.77%**	2.79%	2.74%

	2014 vs. 2013			2013 vs. 2012		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income	**$ 1,075,701**	**$ (370,239)**	**$ 705,462**	$ 282,513	$ (680,738)	$ (398,225)
Interest expense	**346,050**	**(204,687)**	**141,363**	4,438	(665,348)	(660,910)
Net interest income	**$ 729,651**	**$ (165,552)**	**$ 564,099**	$ 278,075	$ (15,390)	$ 262,685

Interest income for 2014 increased by $705,462, or 3.9 percent, compared to 2013, primarily due to an increase in average loan volume slightly offset by a decrease in interest rates. Interest expense for 2014 increased by $141,363, or 2.6 percent, compared to 2013 due to an increase in interest-bearing liabilities offset by a decrease in cost of debt. The interest rate spread decreased by 2 basis points to 2.77 percent in 2014 from 2.79 percent in 2013, primarily because of decreases in interest rates. The interest rate spread increased by 5 basis points to 2.79 percent in 2013 from 2.74 percent in 2012, primarily because of decreases in interest rates and an increase in average loan volume. The Association offers a number of different interest rate programs including fixed rate products lasting for a set period up to the term of a loan, products indexed to prime or LIBOR, and a variety of adjustable interest rate products. The Association's control over interest rate margins resides in its ability to add a spread over cost of funds, the goal of which is to achieve an acceptable level of revenue to fund operations and generate a return for shareholders.

Noninterest income for 2014 increased by $852,085, or 50.8 percent, compared to 2013, due primarily to a gain on sale of other property owned of $877,350. Noninterest income for 2013 decreased by $576,779, or 25.6 percent, compared to 2012, due primarily to a decrease in loan fees of $218,102 and a decrease in refunds from the Farm Credit System Insurance Corporation (FCSIC or Insurance Fund) of $338,305 due to the fact that the Association did not receive a refund in 2013.

Loan loss reversals increased by $83,421, or 403.4 percent, compared to 2013, due primarily to continued improvement in the overall credit quality of the portfolio.

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. In 2014, operating expenses increased by $871,120 or 19.9 percent. The $871,120 increase in operating expenses included an increase in salaries and employee benefits of $472,359, an increase of $70,912 in premiums to the Insurance Fund, resulting from an increase in the premium rates from 10 basis points in 2013 to 20 basis points in 2014 and an increase in advertising of $93,514.

For the year ended December 31, 2014, the Association’s return on average assets was 2.4 percent, as compared to 2.4 percent and 2.4 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 10.4 percent, as compared to 10.4 percent and 11.0 percent for the years ended December 31, 2013 and 2012, respectively.

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.

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 $328,825,631, $314,071,861 and $301,702,000 as of December 31, 2014, 2013 and 2012, respectively, is recorded as a liability on the Association’s consolidated balance sheet. The note carried a weighted average interest rate of 1.7 percent, 1.8 percent and 2.1 percent at December 31, 2014, 2013 and 2012, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association’s assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2013, is due to an increase in demand for financing. The Association’s own funds, which represent the amount of the Association’s loan portfolio funded by the Association’s equity, were $94,382,781, $89,473,413 and $84,149,216 at December 31, 2014, 2013 and 2012, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2014, was $427,430,558 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, 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 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.

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 available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association’s capital position remains strong, with total members’ equity of $96,978,092, $92,311,870 and $87,015,938 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 21.3 percent, 20.8 percent and 20.5 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 20.8 percent, 20.3 percent and 19.9 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 20.8 percent, 20.3 percent and 19.9 percent, respectively, which is in compliance with the FCA’s minimum ratio requirement of 7.0 percent.

Total members’ equity increased by $4,666,222 during 2014 due mainly to the net income for the period. The Association’s capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses, which represents the Association’s reserve for adversity prior to impairment of stock. The Association manages its capital in such a manner as to allow itself the ability to meet member needs and protect member interests, both now and in the future.

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 $225,204 to our retiree welfare plan's projected benefit obligation.

In 2014, 2013 and 2012, the Association paid patronage of $4,800,000, $4,600,000 and $4,500,000, respectively. In December 2014, the board of directors approved a $5,200,000 patronage distribution to be paid in March 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 Farm Credit Bank of Texas."

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.

Summary:

Over the past 97 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors 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 Central Texas Farm Credit, ACA:

We have audited the accompanying consolidated financial statements of Central Texas Farm Credit, 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 Central Texas Farm Credit, 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

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CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	December 31, 2014	December 31, 2013	December 31, 2012
Assets			
Cash	**$ 981,544**	$ 533,981	$ 1,611,150
Loans	**423,926,621**	403,911,853	386,053,139
Less: allowance for loan losses	**572,782**	655,898	1,748,030
Net loans	**423,353,839**	403,255,955	384,305,109
Accrued interest receivable	**3,543,382**	3,406,655	3,438,702
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**6,411,675**	6,029,085	6,047,355
Other	**52,750**	-	-
Other property owned, net	**129,075**	652,125	523,049
Premises and equipment	**935,682**	676,885	629,163
Other assets	**209,207**	166,221	197,410
Total assets	**$ 435,617,154**	$ 414,720,907	$ 396,751,938
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 328,825,631**	$ 314,071,861	$ 301,702,000
Accrued interest payable	**488,969**	477,809	496,888
Drafts outstanding	**838,910**	887,996	658,710
Patronage payable	**5,200,000**	4,800,000	4,600,000
Other liabilities	**3,285,552**	2,171,371	2,278,402
Total liabilities	**338,639,062**	322,409,037	309,736,000
Members' Equity			
Capital stock and participation certificates	**2,149,055**	2,152,100	2,120,295
Unallocated retained earnings	**95,250,739**	90,102,324	85,182,394
Accumulated other comprehensive (loss) income	**(421,702)**	57,446	(286,751)
Total members' equity	**96,978,092**	92,311,870	87,015,938
Total liabilities and members' equity	**$ 435,617,154**	$ 414,720,907	$ 396,751,938

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2014	2013	2012
Interest Income			
Loans	**$ 18,634,118**	$ 17,928,656	$ 18,326,881
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**5,676,619**	5,535,256	6,196,166
Net interest income	**12,957,499**	12,393,400	12,130,715
(Loan loss reversal) provision for loan losses	**(104,100)**	(20,679)	862,863
Net interest income after (loan loss reversal) provision for losses	**13,061,599**	12,414,079	11,267,852
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**1,539,999**	1,440,231	1,426,239
Loan fees	**82,181**	199,889	417,991
Refunds from Farm Credit System Insurance Corporation	**-**	-	338,305
Financially related services income	**8,005**	8,414	9,633
Gain on other property owned, net	**876,732**	-	1,910
Other noninterest income	**22,044**	28,342	59,577
Total noninterest income	**2,528,961**	1,676,876	2,253,655
Noninterest Expenses			
Salaries and employee benefits	**3,285,356**	2,812,997	2,634,449
Directors' expense	**94,675**	107,082	118,947
Purchased services	**275,369**	203,547	234,155
Travel	**163,910**	113,745	87,503
Occupancy and equipment	**200,230**	196,199	166,831
Communications	**110,984**	67,156	28,043
Advertising	**244,749**	151,235	143,115
Public and member relations	**167,423**	135,943	115,511
Supervisory and exam expense	**147,355**	143,215	153,812
Insurance Fund premiums	**390,255**	319,343	142,998
Other noninterest expense	**161,839**	120,563	136,072
Total noninterest expenses	**5,242,145**	4,371,025	3,961,436
NET INCOME	**10,348,415**	9,719,930	9,560,071
Other comprehensive income (loss):			
Change in postretirement benefit plans	**(479,148)**	344,197	(145,828)
COMPREHENSIVE INCOME	**$ 9,869,267**	$ 10,064,127	$ 9,414,243

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
Balance at December 31, 2011	$ 2,206,060	$ 80,222,323	$ (140,923)	$ 82,287,460
Comprehensive income	-	9,560,071	(145,828)	9,414,243
Capital stock/participation certificates issued	248,120	-	-	248,120
Capital stock/participation certificates and allocated retained earnings retired	(333,885)	-	-	(333,885)
Dividends declared	-	(4,600,000)	-	(4,600,000)
Balance at December 31, 2012	2,120,295	85,182,394	(286,751)	87,015,938
Comprehensive income	-	9,719,930	344,197	10,064,127
Capital stock/participation certificates issued	294,740	-	-	294,740
Capital stock/participation certificates and allocated retained earnings retired	(262,935)	-	-	(262,935)
Dividends declared	-	(4,800,000)	-	(4,800,000)
Balance at December 31, 2013	2,152,100	90,102,324	57,446	92,311,870
Comprehensive income	-	10,348,415	(479,148)	9,869,267
Capital stock/participation certificates issued	289,925	-	-	289,925
Capital stock/participation certificates and allocated retained earnings retired	(292,970)	-	-	(292,970)
Dividends declared	-	(5,200,000)	-	(5,200,000)
Balance at December 31, 2014	**$ 2,149,055**	**$ 95,250,739**	**$ (421,702)**	**$ 96,978,092**

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income	**$ 10,348,415**	$ 9,719,930	$ 9,560,071
Adjustments to reconcile net income to net cash provided by operating activities:			
(Loan loss reversal) provision for loan losses	**(104,100)**	(20,679)	862,863
Gain on sale of other property owned, net	**(877,350)**	-	(1,910)
Depreciation	**129,867**	133,840	85,857
Loss on sale of premises and equipment, net	**577**	-	-
(Increase) decrease in accrued interest receivable	**(136,727)**	32,047	300,971
(Increase) in other receivables from the Farm Credit Bank of Texas	**(52,750)**	-	-
(Increase) decrease in other assets	**(42,986)**	31,189	(33,694)
Increase (decrease) in accrued interest payable	**11,160**	(19,079)	(79,228)
Increase in other liabilities	**622,755**	306,912	92,346
Net cash provided by operating activities	**9,898,861**	10,184,160	10,787,276
Cash flows from investing activities:			
Increase in loans, net	**(20,014,768)**	(21,190,973)	(7,529,053)
Cash recoveries of loans previously charged off	**33,262**	-	-
Proceeds from redemption (purchase) of investment in the Farm Credit Bank of Texas	**(382,590)**	18,270	225,440
Purchases of premises and equipment	**(389,241)**	(138,227)	(86,252)
Proceeds from sales of premises and equipment	**-**	1,234	-
Proceeds from sales of other property owned	**1,400,400**	2,017,415	31,410
Net cash used in investing activities	**(19,352,937)**	(19,292,281)	(7,358,455)

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2014	2013	2012
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**14,753,770**	12,369,861	1,260,598
(Decrease) increase in drafts outstanding	**(49,086)**	229,286	357,293
Issuance of capital stock and participation certificates	**289,925**	294,740	248,120
Retirement of capital stock and participation certificates	**(292,970)**	(262,935)	(333,885)
Cash dividends paid	**(4,800,000)**	(4,600,000)	(4,500,000)
Net cash provided by (used in) financing activities	**9,901,639**	8,030,952	(2,967,874)
Net increase (decrease) in cash	**447,563**	(1,077,169)	460,947
Cash at the beginning of the year	**533,981**	1,611,150	1,150,203
Cash at the end of the year	**$ 981,544**	$ 533,981	$ 1,611,150
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**$ -**	$ 2,146,491	$ -
Loans charged off	**-**	1,141,199	-
Dividends declared	**5,200,000**	4,800,000	4,600,000
Transfer of allowance for loan losses from (into) reserve for unfunded commitments	**(12,278)**	69,746	6,654
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 5,665,459**	$ 5,554,335	$ 6,275,394
Income taxes	**-**	-	-

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

CENTRAL TEXAS FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Central Texas Farm Credit, ACA, including its wholly-owned subsidiaries, Central Texas PCA and Central Texas Federal Land Bank 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 counties of Baylor, Brown, Callahan, Coke, Coleman, Comanche, Concho, Haskell, Irion, Jones, Knox, McCulloch, Menard, Mills, Reagan, Runnels, San Saba, Sterling and Tom Green in the state of Texas.

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 Farm Credit Bank of Texas (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 Farm Credit Administration (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 also serves as an intermediary in offering credit life insurance.

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 Farm Credit Bank of Texas 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 accounting principles generally accepted in the United States of America (GAAP) 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 Central Texas PCA and Central Texas Federal Land Bank 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 Financial Accounting Standards Board (FASB) issued guidance entitled "Presentation of Financial Statements – Going Concern." The guidance governs management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016. The Association is currently evaluating a potential disclosure for this recent accounting pronouncement.

B. Cash and Cash equivalents: 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 one 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 nine 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 directors 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, consisting 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 of directors.

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 $94,833, $67,770 and $58,688 for the years ended December 31, 2014, 2013 and 2012, respectively. For the DB Plan, the Association recognized pension costs of $506,701, $579,901 and $586,150 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 $105,638, $77,510 and $72,256 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.

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. The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments.

   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. The Association's net operating loss carryforward at December 31, 2014, approximates $2,900,000 and may be carried forward approximately 20 years. Generally, the annual taxable earnings of the Association are offset predominantly by the declaration of the patronage refunds. Association management anticipates the continuation of the patronage program into the future. A valuation allowance has been established to completely offset any computed deferred tax benefits as of December 31, 2014, 2013 and 2012.

J. Patronage Refunds From the Farm Credit Bank of Texas: 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	**$ 303,024,892**	**71.5%**	$ 298,023,812	73.8%	$ 287,170,550	74.4%
Production and intermediate term	**49,091,029**	**11.6%**	39,933,199	9.9%	31,439,776	8.1%
Agribusiness:						
Processing and marketing	**31,643,304**	**7.5%**	33,429,752	8.3%	36,216,059	9.4%
Farm-related business	**12,311,306**	**2.9%**	6,285,991	1.6%	5,308,306	1.4%
Energy	**14,545,081**	**3.4%**	14,353,951	3.5%	13,484,333	3.5%
Communication	**10,050,458**	**2.4%**	9,052,980	2.2%	10,776,987	2.8%
Rural residential real estate	**1,799,245**	**0.4%**	2,117,940	0.5%	1,657,128	0.4%
Water and waste water	**1,461,306**	**0.3%**	714,228	0.2%	-	0.0%
Total	**$ 423,926,621**	**100.0%**	$ 403,911,853	100.0%	$ 386,053,139	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration 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	$ 10,919,987	$ 9,517,242	$ -	$ -	$ 10,919,987	$ 9,517,242
Production and intermediate term	8,541,124	5,213,450	-	-	8,541,124	5,213,450
Agribusiness	30,204,852	-	-	-	30,204,852	-
Communication	10,003,922	-	-	-	10,003,922	-
Energy	14,545,081	-	-	-	14,545,081	-
Water and waste water	1,461,306	-	-	-	1,461,306	-
Total	$ 75,676,272	$ 14,730,692	$ -	$ -	$ 75,676,272	$ 14,730,692

Geographic Distribution

County	**2014**	2013	2012
Comanche	**10.0%**	8.7%	8.9%
Brown	**9.5%**	9.7%	9.0%
Coleman	**6.8%**	7.0%	6.5%
Runnels	**5.8%**	5.5%	5.7%
Tom Green	**4.5%**	4.7%	3.6%
Jones	**4.5%**	3.8%	3.8%
Concho	**4.1%**	4.2%	4.3%
Mcculloch	**4.1%**	3.8%	4.2%
Callahan	**3.8%**	4.1%	4.0%
Mills	**3.6%**	3.7%	3.9%
San Saba	**3.0%**	3.2%	3.1%
Haskell	**2.5%**	3.0%	3.0%
Knox	**1.7%**	1.9%	1.6%
Coke	**1.2%**	1.5%	1.5%
Baylor	**0.9%**	1.1%	0.9%
Menard	**0.8%**	1.0%	1.1%
Other States	**17.3%**	17.7%	18.4%
Other Counties	**15.9%**	15.4%	16.5%
Totals	**100.0%**	100.0%	100.0%

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

	2014		2013		2012	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Cattle and calves	**$ 128,223,868**	**30.3%**	$ 126,033,599	31.2%	$ 131,311,879	34.0%
General livestock and fowl	**76,911,975**	**18.1%**	72,476,384	17.9%	70,214,369	18.2%
Other	**68,806,128**	**16.3%**	59,843,731	14.8%	59,015,024	15.3%
Hunting and recreation	**45,006,928**	**10.6%**	41,752,630	10.3%	39,128,131	10.1%
Cotton	**30,283,619**	**7.2%**	30,537,975	7.6%	24,725,316	6.4%
Field crops	**20,265,912**	**4.8%**	20,996,700	5.2%	18,516,051	4.8%
Wheat	**17,239,341**	**4.1%**	15,957,422	4.0%	14,671,130	3.8%
Timber	**9,433,714**	**2.2%**	10,591,800	2.6%	6,617,593	1.7%
Fruit, nuts and vegetables	**9,029,916**	**2.1%**	8,532,324	2.1%	6,584,964	1.7%
Sheep and goats	**7,066,055**	**1.7%**	6,934,935	1.7%	6,229,995	1.6%
Feed products and milling	**4,871,837**	**1.2%**	5,483,306	1.4%	6,034,094	1.6%
Sorghum, corn and other grains	**4,082,370**	**1.0%**	2,653,107	0.7%	1,347,465	0.4%
Rural home loans	**1,799,245**	**0.4%**	2,117,940	0.5%	1,657,128	0.4%
Total	**$ 423,020,908**	**100.0%**	$ 403,911,853	100.0%	$ 386,053,139	100.0%

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	**$ 169,714**	$ 98,419	$ 1,127,889
Production and intermediate term	**15,190**	57,466	-
Agribusiness	**-**	-	3,111,721
Total nonaccrual loans	**184,904**	155,885	4,239,610
Accruing restructured loans:			
Real estate mortgage	**-**	646,649	674,451
Total accruing restructured loans	**-**	646,649	674,451
Total nonperforming loans	**184,904**	802,534	4,914,061
Other property owned	**129,075**	652,125	523,049
Total nonperforming assets	**$ 313,979**	$ 1,454,659	$ 5,437,110

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	**98.8**	%	98.4	%	98.5	%
OAEM	**1.1**		1.3		0.8	
Substandard/doubtful	**0.1**		0.3		0.7	
	100.0		100.0		100.0	
Production and intermediate term						
Acceptable	**98.7**		99.9		96.9	
OAEM	**1.3**		-		-	
Substandard/doubtful	**0.0**		0.1		3.1	
	100.0		100.0		100.0	
Processing and marketing						
Acceptable	**100.0**		100.0		86.2	
OAEM	**-**		-		5.2	
Substandard/doubtful	**-**		-		8.6	
	100.0		100.0		100.0	
Farm-related business						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Communication						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Energy						
Acceptable	**100.0**		89.6		88.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		10.4		12.0	
	100.0		100.0		100.0	
Water and waste water						
Acceptable	**100.0**		100.0		-	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		-	
Rural residential real estate						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Total Loans						
Acceptable	**98.9**		98.5		96.9	
OAEM	**1.0**		0.9		1.1	
Substandard/doubtful	**0.1**		0.6		2.0	
	100.0	%	100.0	%	100.0	%

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	**$ 537,477**	**$ 119,156**	**$ 656,633**	**$ 305,449,313**	**$ 306,105,946**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**49,461,627**	**49,461,627**	**-**
Processing and marketing	**-**	**-**	**-**	**31,686,842**	**31,686,842**	**-**
Farm-related business	**-**	**-**	**-**	**12,317,985**	**12,317,985**	**-**
Communication	**-**	**-**	**-**	**10,063,276**	**10,063,276**	**-**
Energy	**-**	**-**	**-**	**14,560,030**	**14,560,030**	**-**
Water and waste water	**-**	**-**	**-**	**1,461,444**	**1,461,444**	**-**
Rural residential real estate	**-**	**-**	**-**	**1,812,853**	**1,812,853**	**-**
Total	**$ 537,477**	**$ 119,156**	**$ 656,633**	**$ 426,813,370**	**$ 427,470,003**	**$ -**

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	$ 29,397	$ 98,419	$ 127,816	$ 300,832,491	$ 300,960,307	$ -
Production and intermediate term	-	26,948	26,948	40,294,008	40,320,956	-
Processing and marketing	-	-	-	33,475,174	33,475,174	-
Farm-related business	-	-	-	6,291,738	6,291,738	-
Communication	-	-	-	9,067,361	9,067,361	-
Energy	-	-	-	14,355,396	14,355,396	-
Water and waste water	-	-	-	714,585	714,585	-
Rural residential real estate	-	-	-	2,132,991	2,132,991	-
Total	$ 29,397	$ 125,367	$ 154,764	$ 407,163,744	$ 407,318,508	$ -

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	$ 2,138,461	$ -	$ 2,138,461	$ 288,129,195	$ 290,267,656	$ -
Production and intermediate term	103,499	-	103,499	31,582,794	31,686,293	-
Processing and marketing	-	3,111,721	3,111,721	33,155,656	36,267,377	-
Farm-related business	-	-	-	5,310,706	5,310,706	-
Communication	-	-	-	10,798,239	10,798,239	-
Energy	-	-	-	13,489,807	13,489,807	-
Water and waste water	-	-	-	-	-	-
Rural residential real estate	-	-	-	1,671,763	1,671,763	-
Total	$ 2,241,960	$ 3,111,721	$ 5,353,681	$ 384,138,160	$ 389,491,841	$ -

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 Association had no troubled debt restructured loans. In restructuring where principal is forgiven, the amount of 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).

The predominant form of concession granted for troubled debt restructuring includes extension of the term. Other types of modifications include principal or accrued interest reductions, interest rate decreases and delayed payments, among others. 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.

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	$ -	$ 646,649	$ 674,451
Total	$ -	$ 646,649	$ 674,451

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:					
Real estate mortgage	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**-**	**-**
Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	**$ 169,714**	**$ 169,714**	**$ -**	**$ 93,922**	**$ 4,348**
Production and intermediate term	**15,190**	**15,190**	**-**	**19,746**	**646**
Total	**$ 184,904**	**$ 184,904**	**$ -**	**$ 113,668**	**$ 4,994**
Total impaired loans:					
Real estate mortgage	**$ 169,714**	**$ 169,714**	**$ -**	**$ 93,922**	**$ 4,348**
Production and intermediate term	**15,190**	**15,190**	**-**	**19,746**	**646**
Total	**$ 184,904**	**$ 184,904**	**$ -**	**$ 113,668**	**$ 4,994**

	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	$ -	$ -	$ -	$ -	$ -
Production and intermediate term	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 745,068	$ 741,531	$ -	$ 701,359	$ 36,174
Production and intermediate term	57,466	237,090	-	1,090	6,120
Total	$ 802,534	$ 978,621	$ -	$ 702,449	$ 42,294
Total impaired loans:					
Real estate mortgage	$ 745,068	$ 741,531	$ -	$ 701,359	$ 36,174
Production and intermediate term	57,466	237,090	-	1,090	6,120
Total	$ 802,534	$ 978,621	$ -	$ 702,449	$ 42,294

	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:					
Processing and marketing	$ 3,111,721	$ 3,111,721	$ 977,000	$ 2,445,691	$ (7,273)
Total	$ 3,111,721	$ 3,111,721	$ 977,000	$ 2,445,691	$ (7,273)
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,802,340	$ 1,802,228	$ -	$ 1,794,022	$ 51,618
Total	$ 1,802,340	$ 1,802,228	$ -	$ 1,794,022	$ 51,618
Total impaired loans:					
Real estate mortgage	$ 1,802,340	$ 1,802,228	$ -	$ 1,794,022	$ 51,618
Processing and marketing	3,111,721	3,111,721	977,000	2,445,691	(7,273)
Total	$ 4,914,061	$ 4,913,949	$ 977,000	$ 4,239,713	$ 44,345

[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	**$ 93,248**	$ 325,980	$ 189,928
Less: interest income recognized	**(3,000)**	(140,385)	(111,892)
Foregone interest income	**$ 90,248**	$ 185,595	$ 78,036

The forgone interest income includes $83,452, $84,226 and $85,900 for the periods 2014, 2013 and 2012 from a loan that has been charged off, but for which the Association still has legal recourse.

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	Total
Allowance for Credit Losses:								
Balance at December 31, 2013	$ 222,030	$ 199,044	$ 62,622	$ 19,080	$ 150,940	$ 771	$ 1,411	$ 655,898
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	8,210	25,052	-	-	-	-	-	33,262
Provision for loan losses	(33,263)	13,040	34,097	1,956	(120,772)	974	(132)	(104,100)
Other	202	(16,173)	(506)	576	3,754	(170)	39	(12,278)
Balance at December 31, 2014	$ 197,179	$ 220,963	$ 96,213	$ 21,612	$ 33,922	$ 1,575	$ 1,318	$ 572,782
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 197,179	$ 220,965	$ 96,212	$ 21,611	$ 33,922	$ 1,575	$ 1,318	$ 572,782
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2014	$ 306,105,946	$ 49,461,627	$ 44,004,827	$ 10,063,276	$ 14,560,030	$ 1,461,444	$ 1,812,853	$ 427,470,003
Ending balance for loans individually evaluated for impairment	$ 169,714	$ 15,190	$ -	$ -	$ -	$ -	$ -	$ 184,904
Ending balance for loans collectively evaluated for impairment	$ 305,936,232	$ 49,446,437	$ 44,004,827	$ 10,063,276	$ 14,560,030	$ 1,461,444	$ 1,812,853	$ 427,285,099

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2012	$ 207,832	$ 298,485	$ 1,051,482	$ 22,265	$ 166,741	$ -	$ 1,225	$ 1,748,030
Charge-offs	-	(179,624)	(961,575)	-	-	-	-	(1,141,199)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	14,643	70,969	(81,431)	(1,901)	(23,956)	771	226	(20,679)
Other	(445)	9,214	54,146	(1,284)	8,155	-	(40)	69,746
Balance at December 31, 2013	$ 222,030	$ 199,044	$ 62,622	$ 19,080	$ 150,940	$ 771	$ 1,411	$ 655,898
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 222,030	$ 199,044	$ 62,622	$ 19,080	$ 150,940	$ 771	$ 1,411	$ 655,898
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2013	$ 300,960,307	$ 40,320,956	$ 39,766,912	$ 9,067,361	$ 14,355,396	$ 714,585	$ 2,132,991	$ 407,318,508
Ending balance for loans individually evaluated for impairment	$ 98,419	$ 57,466	$ -	$ -	$ -	$ -	$ -	$ 155,885
Ending balance for loans collectively evaluated for impairment	$ 300,861,888	$ 40,263,490	$ 39,766,912	$ 9,067,361	$ 14,355,396	$ 714,585	$ 2,132,991	$ 407,162,623

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2011	$ 226,217	$ 270,711	$ 215,308	$ 19,637	$ 144,427	$ 733	$ 1,480	$ 878,513
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	(18,425)	41,709	836,718	2,310	1,539	(733)	(255)	862,863
Other	40	(13,935)	(544)	318	20,775	-	-	6,654
Balance at December 31, 2012	$ 207,832	$ 298,485	$ 1,051,482	$ 22,265	$ 166,741	$ -	$ 1,225	$ 1,748,030
Ending Balance: individually evaluated for impairment	$ -	$ -	$ 977,000	$ -	$ -	$ -	$ -	$ 977,000
Ending Balance: collectively evaluated for impairment	$ 207,832	$ 298,485	$ 74,482	$ 22,265	$ 166,741	$ -	$ 1,225	$ 771,030
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2012	$ 290,267,656	$ 31,686,293	$ 41,578,083	$ 10,798,239	$ 13,489,807	$ -	$ 1,671,763	$ 389,491,841
Ending balance for loans individually evaluated for impairment	$ 1,802,340	$ -	$ 3,111,721	$ -	$ -	$ -	$ -	$ 4,914,061
Ending balance for loans collectively evaluated for impairment	$ 288,465,316	$ 31,686,293	$ 38,466,362	$ 10,798,239	$ 13,489,807	$ -	$ 1,671,763	$ 384,577,780

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas 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 Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owns 2.75 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 $1.479 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	**$ 379,884**	$ 143,995	$ 143,995
Building and improvements	**894,688**	870,136	870,221
Furniture and equipment	**250,754**	257,598	248,516
Computer equipment and software	**109,524**	104,227	96,102
Automobiles	**233,916**	163,217	150,617
	1,868,766	1,539,173	1,509,451
Accumulated depreciation	**(933,084)**	(862,288)	(880,288)
Total	**$ 935,682**	$ 676,885	$ 629,163

The Association leased office space in Baird and Comanche, Texas. Lease expense was $21,690, $13,516 and $12,120 for 2014, 2013 and 2012, respectively. Minimum annual lease payments for the next five years are as follows:

	Operating
2015	$ 21,600
2016	$ 21,600
2017	$ 21,600
2018	$ 21,600
2019	$ 21,600
Thereafter	$ 21,600
Total	$ 129,600

NOTE 6 — OTHER PROPERTY OWNED, NET:

Gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2014	2013	2012
Gain (loss) on sale, net	**$ 877,350**	$ -	$ 1,910
Operating income (expense), net	**(618)**	(1,582)	-
Net gain (loss) on other property owned	**$ 876,732**	$ (1,582)	$ 1,910

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2014	2013	2012
Accounts receivable	**$ 199,910**	$ 166,156	$ 197,345
Prepaid expenses	**8,924**	-	-
Other assets	**373**	65	65
Total	**$ 209,207**	$ 166,221	$ 197,410

Other liabilities comprised the following at December 31:

	2014	2013	2012
Postretirement benefits liability	**$ 1,974,965**	$ 1,431,017	$ 1,674,104
Accrued annual leave	**223,838**	275,651	270,653
Allowance on unfunded loans	**90,523**	78,245	147,991
FCS insurance premium payable	**357,726**	284,317	142,998
Accounts payable	**638,500**	102,141	42,656
Total	**$ 3,285,552**	$ 2,171,371	$ 2,278,402

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 general financing agreement. 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 general financing agreement, which is September 15, 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 $328,825,631 at 1.7 percent, $314,071,861 at 1.8 percent and $301,702,000 at 2.1 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 $427,430,558, as defined by the general financing agreement.

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 general financing agreement 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, 2013 and 2012, the Association was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 9 — MEMBERS' EQUITY:

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

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 required investment in Class A capital stock or participation certificates is equal to 2 percent of the loan amount, up to a maximum amount of $1,000 per loan. 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 directors 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 capital stock 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 of directors. At December 31, 2014, 2013 and 2012, 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 capital stock 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 of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. In 2014, 2013 and 2012, the Association declared annual patronage distributions of $5,200,000, $4,800,000 and $4,600,000, respectively.

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. The Association's permanent capital ratio, core surplus ratio and total surplus ratio at December 31, 2014, were 21.3 percent, 20.8 percent and 20.8 percent, respectively.

The Association's capital adequacy plan meets all of the Bank's and FCA's regulations. The Association does not have protected stock. All of the Association's stock is at risk and is retired upon repayment of the loan, subject to the approval of the board of directors. The Association does not share any Bank equities and has not had any capital calls from the Bank. The above items have been considered in the Association's business plan. The Association does not have any intra-District loss sharing agreements.

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	**425,412**	426,250	419,968
Participation certificates	**4,399**	4,170	4,091
Total	**429,811**	430,420	424,059

An additional component of equity is accumulated other comprehensive (loss) income, which is reported net of taxes as follows:

December 31, 2014	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement loss	**$ -**	**$ -**	**$ (421,702)**

December 31, 2013	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ -	$ -	$ 57,446

December 31, 2012	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement loss	$ -	$ -	$ (286,751)

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

	2014	2013	2012
Accumulated other comprehensive income (loss) at January 1	**$ 57,446**	$ (286,751)	$ (140,923)
Actuarial gains/(losses)	**(460,179)**	337,045	(136,670)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(18,969)**	(18,969)	(21,965)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**-**	26,121	12,807
Other comprehensive (loss) income, net of tax	**(479,148)**	344,197	(145,828)
Accumulated other comprehensive (loss) income at December 31	**$ (421,702)**	$ 57,446	$ (286,751)

NOTE 10 — INCOME TAXES:

There was no provision for income taxes for the years ended December 31, 2014, 2013 or 2012.

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	**$ 3,621,945**	$ 3,401,976	$ 3,250,424
Effect of nontaxable FLCA subsidiary	**(3,285,994)**	(3,100,324)	(2,948,560)
Patronage distributions	**(441,651)**	(426,500)	(274,063)
Change in valuation allowance	**130,193**	149,502	(27,801)
Other	**(24,493)**	(24,654)	-
Provision for (benefit from) income taxes	**$ -**	$ -	$ -

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	**$ 99,538**	$ 73,614	$ 111,033
Loss carryforwards	**1,018,404**	914,135	727,214
Gross deferred tax assets	**1,117,942**	987,749	838,247
Deferred tax asset valuation allowance	**(1,117,942)**	(987,749)	(838,247)
Net deferred tax asset (liability)	**$ -**	$ -	$ -

The Association recorded valuation allowances of $1,117,942, $987,749 and $838,247 during 2014, 2013 and 2012, respectively. 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 programs, which reduces taxable earnings. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

The Association's net operating loss carryforward at December 31, 2014, approximates $2,900,000 and may be carried forward approximately 20 years.

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 H 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

A contribution of $190.24 was made to the Supplemental 401(k) plan in 2014. No contributions or payments were made to or from this plan to active employees during 2013 or 2012.

The DB Plan is noncontributory and benefits are based on salary and years of service. The legal name of the DB 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 Farm Credit Bank of Texas. 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	**$ 506,701**	$ 579,901	$ 586,150
Percentage of Association's contribution to total contributions	**4.1%**	3.5%	3.7%

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.

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 $225,204 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	**$ 1,431,017**	$ 1,674,104	$ 1,442,427
Service cost	**44,349**	53,714	50,639
Interest cost	**73,691**	72,854	72,847
Plan participants' contributions	**19,978**	22,035	19,509
Actuarial loss (gain)	**460,179**	(337,045)	136,670
Benefits paid	**(54,249)**	(54,645)	(47,988)
Accumulated postretirement benefit obligation, end of year	**$ 1,974,965**	$ 1,431,017	$ 1,674,104
Change in Plan Assets			
Company contributions	**$ 34,271**	$ 32,610	$ 28,479
Plan participants' contributions	**19,978**	22,035	19,509
Benefits paid	**(54,249)**	(54,645)	(47,988)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,974,965)**	$ (1,431,017)	$ (1,674,104)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (1,974,965)**	$ (1,431,017)	$ (1,674,104)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 489,206**	$ (86,473)	$ 392,193
Prior service cost (credit)	**(67,504)**	29,027	(105,442)
Total	**$ 421,702**	$ (57,446)	$ 286,751
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	**$**	**44,349**	$	53,714	$	50,639
Interest cost		**73,691**		72,854		72,847
Amortization of:						
Unrecognized prior service cost		**(18,969)**		(18,969)		(21,965)
Unrecognized net loss (gain)		**-**		26,121		12,807
Net postretirement benefit cost	**$**	**99,071**	$	133,720	$	114,328
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income						
Net actuarial loss (gain)	**$**	**460,179**	$	(337,045)	$	136,670
Amortization of net actuarial loss (gain)		**-**		(26,121)		(12,807)
Amortization of prior service cost		**18,969**		18,969		21,965
Total recognized in other comprehensive income	**$**	**479,148**	$	(344,197)	$	145,828
AOCI Amounts Expected to be Amortized Into Expense in 2015						
Unrecognized prior service cost	**$**	**(18,037)**				
Net Actuarial loss		**36,503**				
Total	**$**	**18,466**				
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	**$**	**39,816**
Fiscal 2016		**38,261**
Fiscal 2017		**49,864**
Fiscal 2018		**64,941**
Fiscal 2019		**82,861**
Fiscal 2020–2024		**599,191**
Expected Contributions		
Fiscal 2015	**$**	**39,816**

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 $4,022,769, $2,499,723 and $2,813,153 at December 31, 2014, 2013 and 2012, respectively. During 2014, $2,420,036 of new loans were made, and repayments totaled $1,885,202. The remaining change in the related party balance from December 31, 2013, to December 31, 2014, related to loans that were no longer considered to be loans to related parties or to loans to individuals who were considered related parties as of December 31, 2014. 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 $275,369, $203,457 and $234,115 in 2014, 2013 and 2012, respectively.

The Association received patronage payments from the Bank totaling $1,539,999, $1,440,231 and $1,426,239 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 Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Loans	**$ -**	**$ -**	**$ -**	**$ -**
Other property owned	**-**	**-**	**129,075**	**129,075**

December 31, 2013	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	$ -	$ -	$ -	$ -
Other property owned	-	-	652,125	652,125

December 31, 2012	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	$ -	$ -	$ 2,131,062	$ 2,131,062
Other property owned	-	-	523,049	523,049

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	$ 981,544	$ 981,544	$ -	$ -	$ 981,544
Net loans	423,353,839	-	-	426,637,788	426,637,788
Total Assets	$ 424,335,383	$ 981,544	$ -	$ 426,637,788	$ 427,619,332
Liabilities:					
Note payable to the Farm Credit Bank of Texas	$ 328,825,631	$ -	$ -	$ 328,302,683	$ 328,302,683
Total Liabilities	$ 328,825,631	$ -	$ -	$ 328,302,683	$ 328,302,683

	December 31, 2013 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 533,981	$ 533,981	$ -	$ -	$ 533,981
Net loans	403,255,955	-	-	398,591,622	398,591,622
Total Assets	$ 403,789,936	$ 533,981	$ -	$ 398,591,622	$ 399,125,603
Liabilities:					
Note payable to the Farm Credit Bank of Texas	$ 314,071,861	$ -	$ -	$ 310,444,991	$ 310,444,991
Total Liabilities	$ 314,071,861	$ -	$ -	$ 310,444,991	$ 310,444,991

	December 31, 2012 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 1,611,150	$ 1,611,150	$ -	$ -	$ 1,611,150
Net loans	382,174,047	-	-	381,571,689	381,571,689
Total Assets	$ 383,785,197	$ 1,611,150	$ -	$ 381,571,689	$ 383,182,839
Liabilities:					
Note payable to the Farm Credit Bank of Texas	$ 301,702,000	$ -	$ -	$ 301,231,255	$ 301,231,255
Total Liabilities	$ 301,702,000	$ -	$ -	$ 301,231,255	$ 301,231,255

Quantitative Information about Nonrecurring Level 3 Fair Value Measurements

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.

Information about Other Financial Instrument 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
Other interest bearing liabilities	Carrying value	Par/principal and appropriate interest yield

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 Farm Credit Bank of Texas

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.

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, $58,026,641 of commitments and $1,068,722 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 — 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	**$ 3,193**	**$ 3,239**	**$ 3,232**	**$ 3,293**	**$ 12,957**
(Provision for) reversal of loan losses	**16**	**40**	**29**	**19**	**104**
Noninterest income (expense), net	**(883)**	**(838)**	**89**	**(1,081)**	**(2,713)**
Net income	**$ 2,326**	**$ 2,441**	**$ 3,350**	**$ 2,231**	**$ 10,348**

	2013				
	First	Second	Third	Fourth	Total
Net interest income	$ 3,064	$ 3,061	$ 3,055	$ 3,213	$ 12,393
(Provision for) reversal of loan losses	49	(114)	1	85	21
Noninterest income (expense), net	(716)	(643)	(605)	(730)	(2,694)
Net income	$ 2,397	$ 2,304	$ 2,451	$ 2,568	$ 9,720

	2012				
	First	Second	Third	Fourth	Total
Net interest income	$ 2,997	$ 3,060	$ 3,021	$ 3,053	$ 12,131
(Provision for) reversal of loan losses	(19)	(27)	(818)	1	(863)
Noninterest income (expense), net	(518)	(189)	(543)	(458)	(1,708)
Net income	$ 2,460	$ 2,844	$ 1,660	$ 2,596	$ 9,560

NOTE 16 — 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

Central Texas Farm Credit, ACA (Association) serves its 19-county territory through its main administrative and lending office at 215 West Elm Street, Coleman, Texas. Additionally, there are six branch lending offices located throughout the territory. The Association owns the office buildings in Brady, Brownwood, Coleman, Haskell and San Angelo, Texas, free of debt. The Association leases the office buildings in Baird and Comanche, Texas.

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 Farm Credit Bank of Texas (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 Farm Credit Bank of Texas and District Associations' (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 Central Texas Farm Credit, ACA P.O. Box 511, Coleman, Texas 76834 or calling (325) 625-2165. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *zach.may@farmcreditbank.com*. The Association's annual stockholder report is available on its website at *www.centraltexasaca.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
Robby A. Halfmann	Chairman	2008	2017
Kenneth D. Harvick	Vice Chairman	2012	2016
Mike Finlay	Director	2008	2015
Philip W. Hinds	Director	2009	2015
Burl D. Lowery	Director-Elected Director	2013	2015
Steven Lehrmann	Director	2014	2017
Jerry Don Klose	Former Chairman	2008	Retired April 2014
Boyd J. Chambers	Chief Executive Officer	1987	-
Travis B. McKinney	Chief Credit Officer	2000	-
Zach May	Chief Operating Officer	2008	-
Michael Antle	Controller	2011	Resigned October 2014
Frankie Gregg	Operations Manager I	1993	-

A brief statement of the business and employment background of each director and senior officer for at least the previous five years is provided below for informational purposes.

Robby A. Halfmann - age 34 - Mr. Halfmann is a farmer and rancher in Runnels, Coleman and Concho counties. His principal business is managing his stocker cattle and cow-calf operation and farming small grains. He is also an order buyer for Frey Cattle Company and serves as foreman for that company. In addition, he owns one half of S&H Land and Livestock LLC, whose primary business is managing a stocker cattle operation and farming small grains. Mr. Halfmann is chairman of the Association's board and currently serves on the audit, compensation and executive committees. He is also the Association's representative on the District Bank's stockholder advisory and nominating committees. Mr. Halfmann was first appointed to the board in 2008 and is currently serving a three-year term expiring in 2017.

Kenneth D. Harvick - age 63 - Mr. Harvick is a rancher in Comanche County. His principal business is managing his cow-calf operation. He is the former president of Gore's Inc. in Comanche, Texas, which is a dairy, beef cattle and feed business that operates in Texas and New Mexico. He formerly served as president of the Texas Holstein Association and also served as a member of the Comanche School board, the Comanche County and State Dairy Herd Improvement Associations, the Select Milk Producers board, and the Lions Club. Mr. Harvick is the vice chairman of the Association's board and serves on the audit and compensation committees. He was first elected to the board in 2012 and is currently serving a three-year term which expires in 2016.

Mike Finlay - age 66 - Mr. Finlay is a farmer and rancher in McCulloch and Coleman counties. His principal business consists of farming cotton, wheat, grain sorghum and hay crops and managing his cattle and sheep operation. He is a member of the McCulloch County Conservation board and the McCulloch County Tax Appraisal District board. Mr. Finlay has also served on the Lohn Co-op Gin board, the McCulloch County Soil & Water Conservation board, the Lohn School board and the Millersview-Doole Water

Supply Corporation board. Mr. Finlay currently serves on the Association's audit and compensation committees. He was first elected to the board in 2008 and is currently serving a one-year term which expires in 2015.

Philip W. Hinds - age 57 - Mr. Hinds is a stock farmer in Coleman County. His principal business is that of owner/operator of the Bargain House, a furniture business in Coleman, Texas. He has been a member of the Coleman County Farm Bureau and the Coleman County Rodeo Association. Mr. Hinds serves on the Association's audit and compensation committees. Mr. Hinds was first appointed to the board in 2009 and is currently serving a three-year term which expires in 2015.

Burl D. Lowery - age 64 - Mr. Lowery, a certified public accountant, owns and operates Burl D. Lowery CPA, an accounting practice in Brownwood, Texas. His primary business is managing the accounting practice. In addition, he has a small cow-calf operation in Comanche County. He is a member of the American Institute of Certified Public Accountants, the Texas Society of Certified Public Accountants and the First Baptist Church of Brownwood. Mr. Lowery was appointed by the board in January 2013 to serve as the "outside director." He is also the designated "financial expert" as defined in and required by FCA regulation. He currently serves as the chairman of the audit committee and also serves on the compensation committee. Mr. Lowery was first appointed to the board in 2013 and is currently serving a three-year term which expires in 2015.

Steven R. Lehrmann - age 60 - Mr. Lehrmann is a farmer and rancher in Haskell, Jones and Stonewall counties. His primary business is farming wheat, cotton and sesame crops, and managing a cow-calf operation. He is also the co-owner and operating manager of K & L Spraying LLC, which is an insect and weed control crop spraying business. He is currently the chairman of the Haskell County Appraisal Review board. Mr. Lehrmann currently serves on the audit and compensation committees. He was first elected to the board in 2014 and is currently serving a three-year term which expires in 2017.

Jerry Don Klose - age 71 - Mr. Klose is a farmer and rancher in Haskell County. His principal business consists of farming cotton, wheat and hay crops, along with running a cow-calf operation. Mr. Klose has served on the board of the Haskell County Farm Bureau and the Haskell County Appraisal Review board. He also served as the chairman of the Haskell Co-op Gin board and the Sons of Hermann Lodge No. 241. Mr. Klose has been recognized by the Texas Family Land Heritage Program for continuous family operation of the same land for at least 100 years. Mr. Klose was first elected to the board in 2008 and he retired in April 2014.

Boyd J. Chambers - age 54 - Mr. Chambers is the chief executive officer of the Association, and that is his principal occupation. He has served in this position since 2011 and previously served as the Association's executive vice president and chief credit officer. Prior to joining the Association in February 2006, Mr. Chambers served as vice president of lending with Southwest Texas, ACA. He has been employed in the Farm Credit System since 1987. Mr. Chambers also operates a small part-time farm in Coleman County.

Travis B. McKinney - age 38 - Mr. McKinney is the chief credit officer of the Association, and that is his principal occupation. He has served in this position since 2012. He previously served as senior vice president of lending, branch president of the Brownwood branch office and a loan officer for the Association. He has been employed in the Farm Credit System since 2000.

Zach May - age 36 - Mr. May is the chief operating officer of the Association, and that is his principal occupation. He has served in this position since 2011. He previously served as the Association's operations manager. Prior to joining the Association, he was a senior credit analyst at Capital Farm Credit, ACA and was also a commissioned examiner with the Farm Credit Administration. He has been employed in the Farm Credit System since 2008.

Michael Antle - age 33 - Mr. Antle was the controller of the Association through October 15, 2014. His principal occupation was serving as the controller of this Association, and he served in this position since January 1, 2014. Mr. Antle joined the Association in October 2011 and served as a financial reporting analyst before becoming controller. Keith Prater was hired as the new controller on January 20, 2015. Mr. Prater previously served as the controller for Durham Pecan in Comanche before joining the Association.

Frankie Gregg - age 64 - Mrs. Gregg is the operations manager of the Association, and that is her principal occupation and she has served in this position since 2003. Mrs. Gregg previously served as the office manager for the Association. She has been employed in the Farm Credit System since 1993.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium of $600 per month. The chairman and the director-elected director received an honorarium of $800 per month. All directors were also compensated at the rate of $400 per day for out-of-town meetings, $150 for each special committee meeting and were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2014 was paid at the IRS-approved rate of 56.5 cents per mile. In addition, directors were paid $150 per customer appreciation dinner that they attended, but they were not paid mileage. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2014**
Robby A. Halfmann	12	4	$ 10,300
Kenneth D. Harvick	11	6	9,900
Mike Finlay	11	4	9,550
Philip W. Hinds	12	4	9,250
Burl D. Lowery	11	4	11,650
Steven Lehrmann	7	2.5	5,800
Jerry Don Klose	5	11	8,400
			$ 64,850

The aggregate compensation paid to directors in 2014, 2013 and 2012 was $64,850, $70,950 and $82,250, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows:

Director	Compensation
Robby A. Halfmann	$ 150
Kenneth D. Harvick	150
Mike Finlay	150
Philip W. Hinds	150
Burl D. Lowery	150
Steven Lehrmann	150
Jerry Don Klose	-
	$ 900

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $29,825, $35,132 and $36,697 in 2014, 2013 and 2012, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

All employee salaries and bonuses are administered in accordance with the board-approved Association Salary Plan and Association Bonus Program, respectively, as recommended by the compensation committee. In each case, the board of directors sets the CEO's salary and bonus each year. The board also annually provides the CEO with an aggregate amount for other employee bonuses to be distributed by the CEO based on merit. Employee salaries, other than the CEO's, are set by the CEO each year in accordance with the Association Salary Plan and reported to the board. Compensation is based on a calendar year with salaries paid twice a month and bonuses generally paid in January of the following year. The Association does not defer any compensation.

The Association Bonus Program states that the amount of bonuses paid to employees in the aggregate, excluding the CEO, can be up to 25 percent of the total combined salaries of those employees. The Bonus Program also states that if the Association's net income is such that the Association cannot pay a patronage, then no bonuses will be paid to employees. In addition, final approval of bonuses to employees and to the CEO is to be given at the November board meeting, and the payment of bonuses shall always be at the sole discretion of the board.

The Association does not have an employee compensation “incentive plan.”

Chief Executive Officer (CEO) Compensation Policy

The CEO’s total compensation for the last three years is detailed in the table below. The “Change in Pension Value” represents the change in actuarial value of the CEO’s defined benefit pension plan. Changes in this value are based on additional years of service, compensation increases or decreases, plan amendments, and increases or decreases in value due to interest.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2014, 2013 and 2012. This may include other non-senior officers if their total compensation is within the top five highest paid employees. 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
Boyd J. Chambers							
CEO	2014	**$ 220,008**	**$ 66,000**	**$ 388,022**	**$ 14,785**	**$ 25,385**	**$ 714,200**
	2013	204,758	55,000	73,244	15,626	-	348,628
	2012	195,007	45,000	227,703	14,135	-	481,845
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)							
(5)	2014	**$ 588,144**	**$ 154,935**	**$ 950,295**	**$ 61,703**	**$ 46,632**	**$ 1,801,709**
(5)	2013	565,721	117,618	142,611	71,009	-	896,959
(5)	2012	523,705	109,360	N/A	56,962	-	690,027

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 30 days of the subsequent calendar year.
(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) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance.
(f) Amounts in the “Other” column include payouts for accrued annual leave when applicable.

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.

Pension Benefits Table

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

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2014
Boyd J. Chambers CEO	Farm Credit Bank of Texas Pension Plan	25	$ 1,122,422	$ -

Name	Plan Name	Average Years Credited Service	Present Value of Accumulated Benefit	Payments During 2014
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable) (3)	Farm Credit Bank of Texas Pension Plan	30	$ 3,047,224	$ -

Pension Benefits Table Narrative Disclosure

The CEO and three other senior officers 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.

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 56.5 cents per mile.

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

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.

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

No directors or senior officers of the Association have had any involvement in any events or legal proceedings as required to be disclosed per FCA Regulation 620.5(k) during the past five years.

RELATIONSHIP WITH INDEPENDENT AUDITOR

No change in auditors has taken place since the last annual report to stockholders and no disagreements with the auditor have occurred that the Association is required to report to the Farm Credit Administration under part 621 of the FCA regulations governing this disclosure. The total fees for professional services rendered by PricewaterhouseCoopers LLP for the Association during 2013 were $46,750. There were no other non-audit services provided by PricewaterhouseCoopers LLP.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has business relationships with Central Texas Holdings LLC and FCBT Biostar B LLC which are limited liability companies, formed for the purpose of acquiring and managing unusual and complex collateral (acquired property).

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP 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 Farm Credit Administration 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.

CODE OF ETHICS

The Association and its directors, officers and employees have committed to conduct business in accordance with the highest ethical standards as set forth in the Association's Standards of Conduct Policy relating to ethical conduct, conflicts of interest and compliance with the law.

This Code of Ethics applies to the board chairman, board members, officers and all other Association employees. The Association is responsible for the preparation and distribution of its financial statements and related disclosures and for providing relevant information that is true, accurate and complete to the Federal Farm Credit Banks Funding Corporation for use in preparing the Farm Credit System financial statements and related disclosures.

The Association expects all of its directors, officers and other employees to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities, to comply with all applicable laws, rules and regulations, to deter wrongdoing and abide by its Standards of Conduct Policy and other policies and procedures approved by the board of directors and employed by the Association that governs their conduct. This Code of Ethics is intended to supplement the Association's Standards of Conduct Policy.

Each director, officer and employee agrees to:

- Engage in and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

- Avoid conflicts of interest and disclose to the Association's Standards of Conduct Official any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest, or gives the appearance of a conflict of interest.

- Take all reasonable measures to protect the confidentiality of nonpublic information about the Association and its customers obtained or created in connection with its activities and to prevent the unauthorized disclosure of this information unless required by applicable law or regulation or legal or regulatory process.

- Produce full, fair, accurate, timely and understandable disclosure in Association financial statements and related financial reports or communications as well as Association reports and documents filed with, or submitted to, the Funding Corporation and the Farm Credit Administration.

- Comply with applicable governmental laws, rules and regulations, as well as the rules and regulations of self-regulatory agreements to which the Association is a party.

- Promptly report any possible violation of this Code of Ethics to the Association's Standards of Conduct Official.

Directors, officers and employees are prohibited from directly or indirectly taking any action to fraudulently influence, coerce, manipulate or mislead the Association's independent public accountant, other director, officer or employee for the purpose of rendering the financial statements of the Association misleading or for any other purpose that is in violation of the standards of conduct.

Directors, officers and employees understand that they will be held accountable for adherence to the Code of Ethics. Failure to observe the terms of this Code of Ethics may result in disciplinary action, up to and including termination of employment or removal from the board of directors. Violations of the Code of Ethics may also constitute violations of law and may result in civil and criminal penalties.

Any questions regarding the best course of action in a particular situation should be promptly addressed to the Association's Standards of Conduct Official. Any individual reporting any possible violation of this Code of Ethics may remain anonymous when reporting a possible violation of this Code of Ethics.

The Association has retained a qualified, independent third-party individual to serve as the Association's Standard of Conduct Official who shall be the primary contact for reporting of alleged violations of this Code of Ethics or Association Standards of Conduct.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration 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

MISSION STATEMENT

The mission of Central Texas Farm Credit, ACA is to make a concerted and cooperative effort to finance young, beginning or small farmers, ranchers and producers or harvesters of aquatic products through a program designed to meet the needs of such applicants to the fullest extent of their creditworthiness.

DEFINITIONS

1. Young Borrower: A farmer, rancher or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.

2. Beginning Borrower: A farmer, rancher or producer or harvester of aquatic products who has 10 years' or less farming, ranching or aquatic experience as of the loan transaction date.

3. Small Borrower: A farmer, rancher or producer or harvester of aquatic products who normally generated less than $250,000 in annual gross sales of agricultural or aquatic products at the date the loan was originally made.

STRATEGY

To accomplish this mission, the Association will provide:

1. Coordination a) between this Association and other associations when developing a joint line of credit for an applicant/borrower; b) between this Association and a non-System lender when involved in developing a joint line of credit for an applicant/borrower; c) between this Association and other associations and cosigners or guarantors, whether governmental or private.

The Association will determine whether coordinated financing to a credit-worthy applicant will result in an appropriate sound loan package. If so, the Association will take the responsibility to work in combination with the applicant and such other Association, commercial lender, private or governmental entity to develop a credit-worthy financing package.

2. Utilization of the flexibilities of existing loan programs to the advantage of these applicants.

   Loan approvals will fully utilize all flexibilities in length of term, repayment schedules, amortization requirements, initial deferments, schedule of advances and other such loan approval conditions consistent with existing lending standards and policies.

   Loan servicing remedies such as re-amortizations, deferments, extensions, renewals and other techniques will be available to program borrowers to the fullest extent possible within policies. In addition, we have developed specialized lending standards for young farmers.

3. A commitment of staff resources and expertise to effectively make and service loans and provide credit-related services to this group of farmers, ranchers and producers or harvesters of aquatic products.

   The Association's CEO will have primary responsibility for a) developing expertise in meeting the special financing and related service needs of program applicants; b) implementing the Association program, and; c) developing and submitting reports on the program.

4. A commitment of financial resources and a risk management philosophy to ensure the objective of this policy is met.

   The Association board of directors will monitor this program to assure itself that adequate financial and human resources and an appropriate risk management philosophy exist on a continuing basis to meet program objectives without compromising the ability of the Association to serve non-program farmers, ranchers and producers of aquatic products. The board will monitor this program through reports on the program's progress to the board by the CEO at least quarterly.

5. The offering of guidance and financial assistance to this specialized group of farmers and the groups that support them.

   The Association will provide instruction and guidance to young, beginning and small farmers, ranchers and producers in areas such as record keeping, financial analysis and management, leasing, capital investment decision-making, marketing strategies and other such management areas. In addition, our financial support will be given to extension service and young farmer groups to sponsor seminars, field days and special events.

6. The Association will also expand the criteria used to determine a full-time farmer to include those part-time young, beginning and small farmers and ranchers who demonstrate intent to progress toward farming and/or ranching as their primary business and vocation. Such demonstration of intent shall be documented in the loan file and will include, but is not limited to, the following criteria:

   a. The degree of day-to-day involvement the borrower must have in the agricultural production operation, through either labor or management, or both, to evidence a clear commitment to agricultural production,

   b. The intent of the borrower to actively engage in agricultural production, as evidenced by his education, training, experience, business plan or some other means,

   c. A level or projected level of gross agricultural income or production that evidences a clear commitment to agricultural production, or

   d. The terms and structure of the loan, as well as planned use of loan proceeds, evidence a commitment to be truly engaged in agricultural production.

The Association has in place internal controls and an annual YBS audit program to ensure that its YBS policies and program are implemented for the benefit of all YBS farmers and ranchers, thus ensuring them the opportunity to begin, grow or remain in agricultural production.

TARGETS

Based on USDA's 2012 Census of Agriculture, there are 1,041 Young Farmers, 3,971 Beginning Farmers and 13,018* Small Farmers in the Association's chartered territory. (* Actual Census figures for this category have been adjusted by 50 percent due to the lack of credit needs of the Small Farmers.)

As of the end of 2014, the number of YBS loans in the Association's portfolio is as follows:

Young Farmers:

> There were 434 loans to this group of borrowers. This equates to 19 percent of the total portfolio and 42 percent of the total number of Young Farmers in our territory cited in the 2012 census.

Beginning Farmers:

> There were 1,039 loans to this group of borrowers. This equates to 44 percent of the total portfolio and 26 percent of the total number of Beginning Farmers in our territory cited in the 2012 census.

Small Farmers:

> There were 1863 loans to this group of borrowers. This equates to 80 percent of the total portfolio and 45 percent of the total number of Small Farmers with debt in our territory cited in the 2012 census.

The Association will continue all efforts to target those remaining YBS farmers and ranchers in our territory through the use of outreach programs, including but not limited to, advertising, participating in educational programs, working with extension agents, participations in agricultural field days, livestock shows and agricultural seminars, etc. In addition, Association loan officers and senior management will offer credit counseling and work with other financial institutions to the extent possible to ensure the credit needs of these borrowers are met.

GOALS

The Association's goal for 2014 was to have at least 60 percent of all new loans go to borrowers who meet one or more of the YBS criteria. This goal was met as of December 31, 2014. The goal in the 2015-2017 Strategic Business plan will again be that 60 percent of all new loans should be to borrowers who meet one or more of the YBS criteria.

REPORTING

The Association shall incorporate the goals of its YBS Program into the Strategic Business Plan, shall report the performance results to the board of directors at least quarterly and to the District Bank annually, and shall include in its annual report a description of its YBS Program and a status report on each component thereof. In addition, the Association shall continue to post its annual report, with the YBS Program information, on its website.