

**CHISHOLM TRAIL FARM CREDIT, ACA**

**Quarterly Report  
September 30, 2014**



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## **CHISHOLM TRAIL FARM CREDIT, ACA**

Quarterly Report

September 30, 2014

The shareholders' investment in Chisholm Trail Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB (CoBank). The 2013 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, [www.cobank.com](http://www.cobank.com), or may be obtained at no charge by contacting us at 805 Chisholm Trail, Enid, Oklahoma or calling (800) 251-3722.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(Dollars in Thousands, Except as Noted)  
(Unaudited)

The following discussion summarizes the financial position and results of operations of Chisholm Trail Farm Credit for the nine months ended September 30, 2014, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2013 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

Severe drought has persisted and/or intensified throughout the third quarter of 2014 with limited rainfall occurring within our trade area. Our area only received 40-60% of normal rainfall for this time period compared to previous years. Research in our trade area indicates a rainfall deficit of 22 inches to 44 inches for the last four year period since the drought began.

Cattle prices have continued to climb to record levels during the third quarter, however high prices do not always equal high profits. As our producers start to wean calves near the end of the third quarter, market risk does not appear to be producers highest risk area. Our producers will need to focus on herd and weaned calf health management to prevent sickness and death loss in calves and conception loss in cows. The value of gain potential in our trade area seems to be moderately strong as approximately 70% of the wheat is planted in Oklahoma and approximately 27% has emerged, corn prices are lower and cost of feedlot gain is lower. Market predictions into the fourth quarter are for cattle prices to remain steady to higher because of a limited supply of cattle flowing through the market and positive outlook for wheat pasture this fall.

Oklahoma has experienced a tremendous increase in oil and gas exploration and production since 2010. Mineral re-leasing activity continues in the northern and central portions of our territory due to the original three year lease terms expiring in 2013 and 2014. Numerous customers have paid down debt via lease bonuses and additional funds received from production.

Short-term and long-term rates have both been stable to lower through the third quarter of 2014. Real estate prices appear to be steady to higher with steady to lower borrowing percentages.

#### **LOAN PORTFOLIO**

Loans outstanding at September 30, 2014 totaled 234.9 million, a decrease of \$14.7 million or 5.89%, from loans of \$249.6 million at December 31, 2013. The decrease was primarily due to seasonal commercial loan paydowns during the third quarter of 2014 as well as mortgage payments and additional pay-downs from increased earnings and supplementary income.

#### **RESULTS OF OPERATIONS**

Net income for the nine months ended September 30, 2014 was \$3.4 million, an increase of \$61 thousand, or 1.81%, from the same period ended one year ago. Increased net income can be attributed to a higher net interest income derived primarily from fewer dollars of borrowing, a lower cost of funds in 2014, slightly higher earning from other income, lower non interest expense primarily due to a temporary reduction in staff offset by an increase in provision for loan losses.

Net interest income for the nine months ended September 30, 2014 was \$5.899 million, an increase of \$64 thousand, or 1.10%, compared with September 30, 2013. Net interest income increased as a result of fewer dollars of funds borrowed to service loan demand.

The provision for loan losses for the nine months ended September 30, 2014 was \$96 thousand, an increase of \$61 thousand, or 174.29%, from the provision for loan losses for the same period ended one year ago. The provision for loan losses increased as a result of increased risk in the portfolio.

Noninterest income increased \$14 thousand during the first nine months of 2014 compared with the first nine months in 2013 primarily due to increased collection of loan fees, patronage income and mineral income offset by a decrease in other noninterest income.

We received mineral income of \$282 thousand during the first nine months of 2014, which is distributed to us quarterly by CoBank.

During the first nine months of 2014, noninterest expense decreased \$53 thousand to \$3.4 million, primarily due to decreased salary expense offset by increases in occupancy and equipment, purchased service increase to AgVantis, Inc. and increases in the Farm Credit Insurance Fund premium.

## **CAPITAL RESOURCES**

Our shareholders' equity at September 30, 2014 was \$53.0 million, an increase from \$49.6 million at December 31, 2013. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, offset by stock reductions.

## **REGULATORY MATTERS**

On June 12, 2014, the Farm Credit Administration approved 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 May 8, 2014, the Farm Credit Administration approved 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 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 Wall Street Reform and Consumer Protection Act.

The public comment period ends on January 2, 2015.

## Consolidated Statement of Condition

(Dollars in Thousands)		
	September 30 2014	December 31 2013
	UNAUDITED	AUDITED
<b>ASSETS</b>		
Loans	\$ 234,902	\$ 249,578
Less allowance for loan losses	845	832
Net loans	234,057	248,746
Cash	692	1,480
Accrued interest receivable	3,590	3,099
Investment in CoBank	11,857	11,857
Premises and equipment, net	563	548
Prepaid benefit expense	102	280
Deferred tax asset	11	13
Other assets	1,050	1,338
<b>Total assets</b>	<b>\$ 251,922</b>	<b>\$ 267,361</b>
<b>LIABILITIES</b>		
Note payable to CoBank	\$ 189,857	\$ 208,247
Advance conditional payments	6,366	5,072
Accrued interest payable	828	953
Patronage distributions payable	-	1,100
Accrued benefits liability	245	247
Other liabilities	1,655	2,183
<b>Total liabilities</b>	<b>198,951</b>	<b>217,802</b>
<b>Commitments and Contingencies</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	744	768
Unallocated retained earnings	52,245	48,813
Accumulated other comprehensive income	(18)	(22)
<b>Total shareholders' equity</b>	<b>52,971</b>	<b>49,559</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 251,922</b>	<b>\$ 267,361</b>
The accompanying notes are an integral part of these consolidated financial statements.		

## Consolidated Statement of Comprehensive Income

(Dollars in Thousands)				
	For the three months ended September 30		For the nine months ended September 30	
UNAUDITED	2014	2013	2014	2013
<b>INTEREST INCOME</b>				
Loans	\$ 2,798	\$ 2,854	\$ 8,608	\$ 8,654
<b>Total interest income</b>	<b>2,798</b>	<b>2,854</b>	<b>8,608</b>	<b>8,654</b>
<b>INTEREST EXPENSE</b>				
Note payable to CoBank	893	914	2,700	2,809
Other	3	4	9	10
<b>Total interest expense</b>	<b>896</b>	<b>918</b>	<b>2,709</b>	<b>2,819</b>
Net interest income	1,902	1,936	5,899	5,835
Provision for loan losses	20	123	96	35
Net interest income after provision for loan losses	1,882	1,813	5,803	5,800
<b>NONINTEREST INCOME</b>				
Financially related services income	5	4	12	11
Loan fees	4	5	16	13
Patronage refund from Farm Credit Institutions	219	224	680	676
Mineral income	90	120	282	268
Other noninterest income/(expense)	34	(1)	75	83
<b>Total noninterest income</b>	<b>352</b>	<b>352</b>	<b>1,065</b>	<b>1,051</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	641	611	1,907	2,033
Occupancy and equipment	77	60	184	157
Purchased services from AgVantis, Inc.	121	113	352	341
Farm Credit Insurance Fund premium	56	46	171	139
Supervisory and examination costs	25	24	96	93
Other noninterest expense	228	242	711	711
<b>Total noninterest expense</b>	<b>1,148</b>	<b>1,096</b>	<b>3,421</b>	<b>3,474</b>
Income before income taxes	1,086	1,069	3,447	3,377
(Benefit from)/provision for income taxes	(7)	-	15	2
<b>Net income</b>	<b>1,093</b>	<b>1,069</b>	<b>3,432</b>	<b>3,375</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Amortization of retirement costs	2	-	4	-
<b>Net income/Comprehensive income</b>	<b>\$ 1,095</b>	<b>\$ 1,069</b>	<b>\$ 3,436</b>	<b>\$ 3,375</b>

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

## Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)				
			Accumulated Other	
	Capital Stock	Unallocated Retained Earnings	Comprehensive (Loss)/Income	Total Shareholders' Equity
UNAUDITED				
<b>Balance at December 31, 2012</b>	\$ 782	\$ 45,384	\$ -	\$ 46,166
Comprehensive income		3,375	-	3,375
Stock issued	44			44
Stock retired	(60)			(60)
<b>Balance at September 30, 2013</b>	\$ 766	\$ 48,759	\$ -	\$ 49,525
<b>Balance at December 31, 2013</b>	\$ 768	\$ 48,813	\$ (22)	\$ 49,559
Comprehensive income		3,432	4	3,436
Stock issued	38			38
Stock retired	(62)			(62)
<b>Balance at September 30, 2014</b>	\$ 744	\$ 52,245	\$ (18)	\$ 52,971
The accompanying notes are an integral part of these consolidated financial statements.				

**NOTES TO FINANCIAL STATEMENTS**  
(Dollars in Thousands, Except as Noted)  
(Unaudited)

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

A description of the organization and operations of Chisholm Trail Farm Credit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2013, are contained in the 2013 Annual Report to Shareholders. These unaudited third quarter 2014 financial statements should be read in conjunction with the 2013 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013 as contained in the 2013 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2014. Descriptions of the significant accounting policies are included in the 2013 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance, "Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income." The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012 and for non-public entities for annual periods beginning after December 15, 2013. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of the Association's 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.

**NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES**

A summary of loans follows.

	September 30, 2014	December 31, 2013
Real estate mortgage	\$ 170,906	\$ 169,281
Production and intermediate-term	62,589	78,185
Agribusiness:		
Processing and marketing	--	754
Farm-related business	783	856
Rural residential real estate	451	502
Agricultural export finance	173	--
<b>Total loans</b>	<b>\$ 234,902</b>	<b>\$ 249,578</b>



The Association purchases or sells 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 the balances of participations purchased and sold during the quarter ended September 30, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 12,343	\$ 18,342	\$ --	\$ --	\$ 12,343	\$ 18,342
Production and intermediate-term	5,937	2,322	584	--	6,521	2,322
Agricultural export finance	173	--	--	--	173	--
<b>Total</b>	<b>\$ 18,453</b>	<b>\$ 20,664</b>	<b>\$ 584</b>	<b>\$ --</b>	<b>\$ 19,037</b>	<b>\$ 20,664</b>

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	<b>September 30, 2014</b>	December 31, 2013
Real estate mortgage		
Acceptable	<b>99.34%</b>	99.17%
OAEM	<b>0.05%</b>	0.29%
Substandard	<b>0.61%</b>	0.54%
<b>Total</b>	<b>100.00%</b>	100.00%
Production and intermediate-term		
Acceptable	<b>100.00%</b>	99.02%
OAEM	--	0.44%
Substandard	--	0.54%
<b>Total</b>	<b>100.00%</b>	100.00%
Agribusiness		
Acceptable	<b>100.00%</b>	100.00%
<b>Total</b>	<b>100.00%</b>	100.00%
Rural residential real estate		
Acceptable	<b>100.00%</b>	100.00%
<b>Total</b>	<b>100.00%</b>	100.00%
Agricultural export finance		
Acceptable	<b>100.00%</b>	--
<b>Total</b>	<b>100.00%</b>	--
Total Loans		
Acceptable	<b>99.52%</b>	99.12%
OAEM	<b>0.04%</b>	0.34%
Substandard	<b>0.44%</b>	0.54%
<b>Total</b>	<b>100.00%</b>	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

<i>(dollars in thousands)</i>	<b>September 30, 2014</b>	December 31, 2013
Nonaccrual loans		
Real estate mortgage	<b>\$ 862</b>	\$ 205
<b>Total nonaccrual loans</b>	<b>\$ 862</b>	\$ 205
<b>Total high risk assets</b>	<b>\$ 862</b>	\$ 205

Note: There were no loans classified as accruing restructured, accruing loans 90 days or more past due or other property owned for the periods presented.

Additional impaired loan information is as follows:

	September 30, 2014			December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	\$ --	\$ --	\$ --	\$ 205	\$ 217	\$ 6
Total	\$ --	\$ --	\$ --	\$ 205	\$ 217	\$ 6
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	\$ 862	\$ 943	\$ --	\$ --	\$ --	\$ --
Production and intermediate-term	--	1,499	--	--	1,499	--
Total	\$ 862	\$ 2,442	\$ --	\$ --	\$ 1,499	\$ --
Total impaired loans:						
Real estate mortgage	\$ 862	\$ 943	\$ --	\$ 205	\$ 217	\$ 6
Production and intermediate-term	--	1,499	--	--	1,499	--
Total	\$ 862	\$ 2,442	\$ --	\$ 205	\$ 1,716	\$ 6

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.

	For the Three Months Ended September 30, 2014		For the Three Months Ended September 30, 2013	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	\$ --	\$ --	\$ 74	\$ --
Total	\$ --	\$ --	\$ 74	\$ --
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	\$ 912	\$ --	\$ 432	\$ 18
Total	\$ 912	\$ --	\$ 432	\$ 18
Total impaired loans:				
Real estate mortgage	\$ 912	\$ --	\$ 506	\$ 18
Total	\$ 912	\$ --	\$ 506	\$ 18

	For the Nine Months Ended September 30, 2014		For the Nine Months Ended September 30, 2013	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	\$ 114	\$ --	\$ 25	\$ --
Total	\$ 114	\$ --	\$ 25	\$ --
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	\$ 479	\$ --	\$ 1,057	\$ 63
Production and intermediate-term	--	--	1	--
Total	\$ 479	\$ --	\$ 1,058	\$ 63
Total impaired loans:				
Real estate mortgage	\$ 593	\$ --	\$ 1,082	\$ 63
Production and intermediate-term	--	--	1	--
Total	\$ 593	\$ --	\$ 1,083	\$ 63

The following tables provide an age analysis of past due loans (including accrued interest).

	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 Accruing Loans 90 Days or More Past Due
<b>September 30, 2014</b>						
Real estate mortgage	\$ --	\$ 536	\$ 536	\$ 172,628	\$ 173,164	\$ --
Production and intermediate-term Agribusiness	1,175	--	1,175	62,726	63,901	--
Rural residential real estate	--	--	--	801	801	--
Agricultural export finance	--	--	--	453	453	--
	--	--	--	173	173	--
<b>Total</b>	<b>\$ 1,175</b>	<b>\$ 536</b>	<b>\$ 1,711</b>	<b>\$ 236,781</b>	<b>\$ 238,492</b>	<b>\$ --</b>

	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 Accruing Loans 90 Days or More Past Due
<b>December 31, 2013</b>						
Real estate mortgage	\$ --	\$ 205	\$ 205	\$ 170,815	\$ 171,020	\$ --
Production and intermediate-term Agribusiness	377	--	377	79,151	79,528	--
Rural residential real estate	--	--	--	1,626	1,626	--
	--	--	--	503	503	--
<b>Total</b>	<b>\$ 377</b>	<b>\$ 205</b>	<b>\$ 582</b>	<b>\$ 252,095</b>	<b>\$ 252,677</b>	<b>\$ --</b>

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

	Balance at June 30, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2014
Real estate mortgage	\$ 50	\$ --	\$ 1	\$ 4	\$ 55
Production and intermediate-term Agribusiness	773	--	--	16	789
	1	--	--	--	1
<b>Total</b>	<b>\$ 824</b>	<b>\$ --</b>	<b>\$ 1</b>	<b>\$ 20</b>	<b>\$ 845</b>

	Balance at December 31, 2013	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2014
Real estate mortgage	\$ 60	\$ 89	\$ 7	\$ 77	\$ 55
Production and intermediate-term Agribusiness	770	--	--	19	789
	2	1	--	--	1
<b>Total</b>	<b>\$ 832</b>	<b>\$ 90</b>	<b>\$ 7</b>	<b>\$ 96</b>	<b>\$ 845</b>

	Balance at June 30, 2013	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2013
Real estate mortgage	\$ 59	\$ 25	\$ --	\$ 76	\$ 110
Production and intermediate-term	709	--	--	61	770
Agribusiness	2	--	--	--	2
Agricultural export finance	14	--	--	(14)	--
<b>Total</b>	<b>\$ 784</b>	<b>\$ 25</b>	<b>\$ --</b>	<b>\$ 123</b>	<b>\$ 882</b>

	Balance at December 31, 2012	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2013
Real estate mortgage	\$ 81	\$ 25	\$ --	\$ 54	\$ 110
Production and intermediate-term	788	--	--	(18)	770
Agribusiness	3	--	--	(1)	2
<b>Total</b>	<b>\$ 872</b>	<b>\$ 25</b>	<b>\$ --</b>	<b>\$ 35</b>	<b>\$ 882</b>

	Allowance for Credit Losses Ending Balance at September 30, 2014		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2014	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	\$ --	\$ 55	\$ 862	\$ 172,302
Production and intermediate-term	--	789	--	63,901
Agribusiness	--	1	--	801
Rural residential real estate	--	--	--	453
Agricultural export finance	--	--	--	173
<b>Total</b>	<b>\$ --</b>	<b>\$ 845</b>	<b>\$ 862</b>	<b>\$ 237,630</b>

	Allowance for Credit Losses Ending Balance at December 31, 2013		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2013	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	\$ 6	\$ 54	\$ 205	\$ 170,815
Production and intermediate-term	--	770	--	79,528
Agribusiness	--	2	--	1,626
Rural residential real estate	--	--	--	503
<b>Total</b>	<b>\$ 6</b>	<b>\$ 826</b>	<b>\$ 205</b>	<b>\$ 252,472</b>

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association had no TDR's within the previous nine months ending September 30, 2014.

### NOTE 3 - CAPITAL

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

	Quarter Ended September 30	
	2014	2013
Pension and other benefit plans:		
Beginning balance	\$ (20)	\$ --
Amounts reclassified from accumulated other comprehensive loss	2	--
Net current period other comprehensive income	2	--
Ending balance at September 30	\$ (18)	\$ --

The following table represents reclassifications out of accumulated other comprehensive income (loss).

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Location of Gain/Loss Recognized in Statement of Income
	September 30		
	2014	2013	
Pension and other benefit plans:			
Net actuarial loss	2	--	Employee salaries and benefits
Total reclassifications	\$ 2	\$ --	

### NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2013 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets held in nonqualified benefits trusts				
<b>September 30, 2014</b>	\$ 18	\$ --	\$ --	\$ 18
December 31, 2013	\$ 14	\$ --	\$ --	\$ 14

During the first nine months of 2014, the Association recorded no transfers in or out of Levels 1, 2, or 3.

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2014 or December 31, 2013.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value	Total Gains/(Losses)
	Level 1	Level 2	Level 3		
<b>September 30, 2014</b>					
Loans	\$ --	\$ --	\$ 862	\$ 862	\$ 83
Other property owned	\$ --	\$ --	\$ --	\$ --	\$ --
December 31, 2013					
Loans	\$ --	\$ --	\$ 199	\$ 199	\$ (31)
Other property owned	\$ --	\$ --	\$ --	\$ --	\$ --

The Association had no liabilities measured at fair value on a non-recurring basis at September 30, 2014 or December 31, 2013.

### **Valuation Techniques**

As more fully discussed in Note 2 to the 2013 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

#### *Loans*

For certain loans evaluated for impairment under accounting guidance, the fair value is based upon the underlying collateral since the loans were 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.

#### *Assets Held in Non-Qualified Benefits Trusts*

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

### **NOTE 5 - SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through November 4, 2014, which is the date the financial statements were issued, and no material subsequent events were identified.



## CHISHOLM TRAIL FARM CREDIT, ACA

### REPORT OF MANAGEMENT

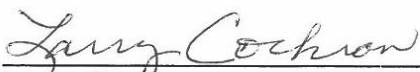
The financial statements of the Chisholm Trail Farm Credit, ACA are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances. The financial statements, in the opinion of management, fairly present the financial condition of the Association. Other financial information included in the quarterly report is consistent with that in the financial statements.

To meet the responsibility for reliable financial information, management depends on 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 must be related to the benefits derived. The financial statements are examined annually by PricewaterhouseCoopers, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with generally accepted auditing standards. The Association is also examined by the Farm Credit Administration.

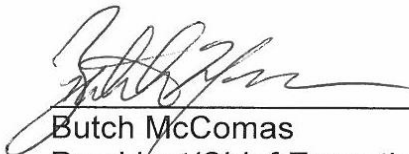
The Board of Directors has overall responsibility for the Association's system of internal control and financial reporting. The Audit Committee consults regularly with management and reviews the results of the examinations by the various entities named above. The independent accountants have direct access to the Board and Audit Committee.

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

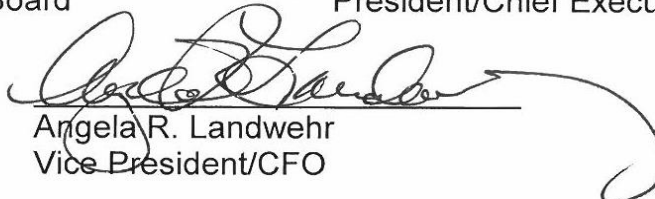
November 4, 2014



Larry Cochran  
Chairman of the Board



Butch McComas  
President/Chief Executive Officer



Angela R. Landwehr  
Vice President/CFO



# CHISHOLM TRAIL FARM CREDIT, ACA

## BOARD OF DIRECTORS

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Jay Grace, Vice Chairman  
Verl M Daugherty  
Paul D. Heath  
Kenneth Markes  
Brad Scott  
Dick Smart  
Kevin Smith

Cherokee  
Ringling  
Gracemont  
Watonga  
Bison  
Waurika  
Verden  
Fairview

## OFFICERS AND EMPLOYEES

### Enid Administrative Office

Butch McComas  
Steve Davenport  
Angela R. Landwehr  
Anita Eckhardt  
Gloria Choat  
Hailie Tennell  
Glenna Johnson

President/CEO  
Executive Vice President/CCO  
Vice President/CFO  
Vice President/COO  
Admin Assistant/Lending Operations Supervisor  
Marketing Representative  
Accounting Supervisor

### Enid Lending Office

Marty Meyer  
Jordan Beach  
Candice Foster  
Lindsey Trammell

Vice President/Branch Manager  
Loan Officer  
Credit Analyst  
Credit Support

### Duncan Lending Office

Gary M. Kafer  
Harold Wayne Harris  
Karla Latham  
Courtney Landoll

Vice President  
Assistant Vice President  
Secretary  
Secretary

### Chickasha Lending Office

Kurtis Sears  
Kile Furr  
Justin Clark  
Jacob Rice  
Lacey Willis  
Melissa Chaffin  
Ashley Byrom

Sr. Vice President/Southern Region  
Vice President  
Assistant Vice President  
Loan Officer  
Loan Analyst  
Sr. Secretary  
Secretary

### Watonga Lending Office

Barry Bessinger  
Brenda Wigington

Vice President/Branch Manager  
Sr. Secretary

