*Ag***Choice** *Farm Credit, ACA*

SECOND QUARTER 2016

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2016 quarterly report of *Ag***Choice** Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and 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 and belief.

Darrell L. Curtis
Chief Executive Officer

Mark F. Kerstetter
Chief Financial Officer

Donald G. Cotner Jr.
Chairman of the Board

August 8, 2016

*Ag***Choice** *Farm Credit, ACA*

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of June 30, 2016. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of June 30, 2016, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of June 30, 2016.

Darrell L. Curtis
Chief Executive Officer

Mark F. Kerstetter
Chief Financial Officer

August 8, 2016

*Ag***Choice** ***Farm Credit, ACA***

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of *Ag***Choice** Farm Credit ACA, (Association) for the period ended June 30, 2016. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2015 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. Information in any part of this Quarterly Report may be incorporated by reference in answer or partial answer to any other item of the Quarterly Report.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short- and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities, including dairy, livestock, poultry, forest products, and various crops, and also includes part-time farm and rural home loans. Farm size varies, and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, impacts the level of dependency on a given commodity.

Loans as of June 30, 2016 totaled $1,750,360, an increase of $56,446 as compared to $1,693,914 at December 31, 2015. Net loans outstanding at June 30, 2016, were $1,739,171 as compared to $1,683,886 at December 31, 2015. Net loans accounted for 97.2 percent of total assets at June 30, 2016, as compared to 96.3 percent of total assets at December 31, 2015. The increase in both loans and net loans primarily resulted from increased participation loans purchased.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. Nonaccrual volume decreased from $15,853 at December 31, 2015, to $15,130 at June 30, 2016, mainly due to payments offset by several small accounts being transferred to nonaccrual. The Association continues efforts to work out of nonaccrual accounts or to assist such operations to return to accrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses was $11,189 and $10,028 at June 30, 2016 and December 31, 2015, respectively. As a further means to reduce credit risk, the Association had $396 and $331 in a reserve for unfunded loan commitments at June 30, 2016 and December 31, 2015, respectively, which is classified as a liability on the Consolidated Balance Sheets. These reserves were considered by management to be adequate to cover possible losses.

RESULTS OF OPERATIONS

For the three months ended June 30, 2016

Net income for the three months ended June 30, 2016, totaled $7,861, a decrease of $248 compared to $8,109 for the same period in 2015. This decrease resulted primarily from higher provision for loan losses and higher noninterest expense, offset by higher net interest income and lower provision for income taxes.

Net interest income increased by $810 for the three months ended June 30, 2016 compared to the same period in 2015. This increase resulted from an increase of $1,836 in interest income on accruing loans and investment securities and an increase of $66 on nonaccruing loans offset by an increase of $1,092 in interest expense.

The provision for loan losses was $286 in the second quarter of 2016 due to general reserve increases as compared to a reversal for loan losses of $344 in the same period for 2015 due to decreases in specific reserves.

Noninterest income for the three months ended June 30, 2016 increased by $25 to $3,682, compared to $3,657 for the same period of 2015. This increase resulted primarily from higher FRS income and higher patronage income offset by lower loan fees and lower gains.

Noninterest expense for the three months ended June 30, 2016, increased $525, compared to the same period of 2015. This increase is due to higher insurance fund premiums and losses on other property owned.

The provision for income taxes was $0 and $72 for the second quarters of 2016 and 2015, respectively.

For the six months ended June 30, 2016

Net income for the six months ended June 30, 2016, totaled $15,591, as compared to $15,291 for the same period in 2015. Net interest income increased $1,352 for the six months ended June 30, 2016, as compared to the same period one year ago.

For the six months ended June 30, 2016, interest income on accruing loans and investment securities increased $3,598 compared to a year ago. Nonaccrual interest income was $468 for the six months ended June 30, 2016, as compared to $499 for the same period in 2015. Interest expense increased $2,215 for the six months ended June 30, 2016, as compared to the comparable period of 2015. The increase in interest income on accruing loans and interest expense is primarily related to an increase in loan volume.

Increases in general reserves resulted in a $1,177 provision for loan losses in the first half of 2016, while in 2015, general reserve increases were nearly offset by decreases in specific reserves.

Noninterest income for the six months ended June 30, 2016, totaled $7,718, as compared to $7,263 for the same period of 2015, an increase of $455. This increase resulted primarily from the following factors: an increase of $480 in general patronage due to loan volume growth, an increase of $163 in Business Management Services revenue, and higher net gains of $106, offset by a decrease of $271 in patronage on participations sold due to a decline in volume.

Noninterest expense for the six months ended June 30, 2016, increased $446, compared to the same period of 2015. This increase was primarily due to higher losses on other property owned, higher purchased services, and Farm Credit System Insurance Corporation (FCSIC) premium expense offset by lower personnel costs, directors, travel, and other expense.

The provision for income taxes was $70 for the six months ended June 30, 2016 as compared to $145 in the same period last year.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at June 30, 2016, was $1,422,968 as compared to $1,380,830 at December 31, 2015. This increase resulted from increased loan volume offset by the receipt of the 2015 Equity in earnings of other Farm Credit institutions and cash generated from Association year-to-date 2016 earnings.

CAPITAL RESOURCES

Total members' equity at June 30, 2016 increased by $15,486 to $347,872 from the December 31, 2015 total of $332,386. The increase is primarily attributed to year-to-date 2016 net income.

Total capital stock and participation certificates were $10,951 on June 30, 2016, compared to $11,054 on December 31, 2015.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus, as defined in FCA regulations, by a risk-adjusted asset base. As of June 30, 2016, the Association's permanent capital ratio was 17.52 percent and total surplus and core surplus ratios were both 16.92 percent. All three ratios were well above the minimum regulatory requirements of 7.00 percent for the permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

On March 10, 2016, the FCA adopted a final regulation to modify the regulatory capital requirements for System banks and associations. The stated objectives of the 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 (Dodd-Frank Act).

The final rule will replace existing core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 and

Total Capital risk-based capital ratio requirements. The final rule will also replace the existing net collateral ratio with a Tier 1 Leverage ratio and is applicable to all banks and associations. The Permanent Capital Ratio will remain in effect with the final rule. The following sets forth the new regulatory capital ratios:

Ratio	Primary Components of Numerator	Denominator	Minimum Requirement	Minimum Requirement with Conservation Buffer
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings/surplus (URE), Common Stock (subject to certain conditions)	Risk-weighted assets	4.5%	7.0%
Tier 1 Capital	CET1 Capital, Non-cumulative perpetual preferred stock	Risk-weighted assets	6.0%	8.5%
Total Capital	Tier 1 Capital, Allowance for Loan Losses, other equity securities not included in Tier 1 Capital	Risk-weighted assets	8.0%	10.5%
Tier 1 Leverage	Tier 1 Capital (1.5% must be URE or URE equivalents)	Total assets	4.0%	5.0%

On July 28, 2016, the FCA published the final regulation in the Federal Register, and it is anticipated that the effective date of the new capital requirements will be January 1, 2017, with a three-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. District institutions are well-positioned to be in compliance with the new requirements at adoption.

On November 30, 2015, the FCA, along with four other federal agencies, published in the Federal Register a final rule to establish capital and margin requirements for covered swap entities as required by the Dodd-Frank Act. See below for further information regarding the Dodd-Frank Act.

On July 25, 2014, the FCA published a proposed rule in the Federal Register to revise the requirements governing the eligibility of investments for System banks and associations. The public comment period ended on October 23, 2014. The FCA expects to issue a final regulation in 2016. 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.

FINANCIAL REGULATORY REFORM

See discussion of the Dodd-Frank Act in the Financial Regulatory Reform section of the Association's 2015 Annual Report.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2015 Annual Report to Shareholders for recently issued accounting pronouncements.

Note: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745 ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-349-3568 or writing *Ag***Choice** Farm Credit, ACA, 900 Bent Creek Blvd., Mechanicsburg, PA, 17050, or accessing the website *www.agchoice.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Ag **Choice** Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	**June 30, 2016**	**December 31, 2015**
	(unaudited)	*(audited)*
Assets		
Cash	**$ 54**	$ 50
Investment securities:		
Held to maturity (fair value of $2,535 and $2,363, respectively)	**2,243**	2,277
Loans	**1,750,360**	1,693,914
Allowance for loan losses	**(11,189)**	(10,028)
Net loans	**1,739,171**	1,683,886
Accrued interest receivable	**7,442**	5,931
Investments in other Farm Credit institutions	**22,183**	22,554
Premises and equipment, net	**8,857**	8,323
Other property owned	**207**	978
Accounts receivable	**6,283**	21,112
Other assets	**2,788**	4,212
Total assets	**$ 1,789,228**	$ 1,749,323
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 1,422,968**	$ 1,380,830
Accrued interest payable	**2,710**	2,638
Patronage refunds payable	**417**	18,546
Accounts payable	**2,819**	3,780
Other liabilities	**12,442**	11,143
Total liabilities	**1,441,356**	1,416,937
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	**10,951**	11,054
Surplus		
Allocated	**161,489**	161,489
Unallocated	**175,483**	159,895
Accumulated other comprehensive income (loss)	**(51)**	(52)
Total members' equity	**347,872**	332,386
Total liabilities and members' equity	**$ 1,789,228**	$ 1,749,323

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

Ag **Choice** Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Interest Income				
Loans	**$ 19,945**	$ 18,043	**$ 39,580**	$ 36,012
Investments	**36**	36	**71**	72
Total interest income	**19,981**	18,079	**39,651**	36,084
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**8,289**	7,197	**16,420**	14,205
Net interest income	**11,692**	10,882	**23,231**	21,879
Provision for (reversal of allowance for) loan losses	**286**	(344)	**1,177**	41
Net interest income after provision for (reversal of allowance for) loan losses	**11,406**	11,226	**22,054**	21,838
Noninterest Income				
Loan fees	**290**	326	**578**	599
Fees for financially related services	**481**	393	**862**	654
Patronage refunds from other Farm Credit institutions	**2,896**	2,850	**6,043**	5,873
Gains (losses) on sales of rural home loans, net	**—**	16	**12**	30
Gains (losses) on sales of premises and equipment, net	**—**	44	**265**	60
Gains (losses) on other transactions	**(5)**	4	**(63)**	18
Other noninterest income	**20**	24	**21**	29
Total noninterest income	**3,682**	3,657	**7,718**	7,263
Noninterest Expense				
Salaries and employee benefits	**4,417**	4,467	**8,906**	9,168
Occupancy and equipment	**297**	282	**567**	571
Insurance Fund premiums	**544**	396	**1,069**	784
(Gains) losses on other property owned, net	**275**	(91)	**324**	(80)
Other operating expenses	**1,694**	1,648	**3,245**	3,222
Total noninterest expense	**7,227**	6,702	**14,111**	13,665
Income before income taxes	**7,861**	8,181	**15,661**	15,436
Provision for income taxes	**—**	72	**70**	145
Net income	**$ 7,861**	$ 8,109	**$ 15,591**	$ 15,291

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

Ag **Choice** Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Net income	**$ 7,861**	$ 8,109	**$ 15,591**	$ 15,291
Other comprehensive income net of tax				
Employee benefit plans adjustments	**1**	1	**1**	1
Comprehensive income	**$ 7,862**	$ 8,110	**$ 15,592**	$ 15,292

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

Ag **Choice** Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Surplus		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2014	$ 10,948	$ 164,844	$ 138,810	$ (61)	$ 314,541
Comprehensive income			15,291	1	15,292
Capital stock/participation certificates issued/(retired), net	(15)				(15)
Dividends declared/paid	8		(8)		—
Surplus retired		(78)			(78)
Patronage distribution adjustment		2,070	(2,077)		(7)
Balance at June 30, 2015	$ 10,941	$ 166,836	$ 152,016	$ (60)	$ 329,733
Balance at December 31, 2015	$ 11,054	$ 161,489	$ 159,895	$ (52)	$ 332,386
Comprehensive income			**15,591**	**1**	**15,592**
Capital stock/participation certificates issued/(retired), net	**(111)**				**(111)**
Dividends declared/paid	**8**		**(8)**		**—**
Patronage distribution adjustment			**5**		**5**
Balance at June 30, 2016	**$ 10,951**	**$ 161,489**	**$ 175,483**	**$ (51)**	**$ 347,872**

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

*Ag***Choice** *Farm Credit, ACA*

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization
The accompanying financial statements include the accounts of *Ag***Choice** Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2015, are contained in the 2015 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation
In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies
The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Updates (ASUs) Issued During the Period
The following ASUs were issued by the Financial Accounting Standards Board (FASB) since the most recent Annual Report:

- In June, 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The Update improves financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date. Financial institutions and other organizations will use forward-looking information to better estimate their credit losses. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The Update will take effect for U.S. Securities and Exchange Commission (SEC) filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other organizations, the ASU will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.

- In May, 2016, the FASB issued ASU 2016-12 Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The guidance addresses certain issues identified by the Transition Resource Group (TRG) in the guidance on assessing collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements for Topic 606 (and any other Topic amended by Update 2014-09).

- In April, 2016, the FASB issued ASU 2016-10 Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. The Update clarifies the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements for Topic 606 (and any other Topic amended by Update 2014-09).

- In March, 2016, the FASB issued ASU 2016-08 Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). The amendments clarify the implementation guidance on principal versus agent considerations. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements for Topic 606 (and any other Topic amended by Update 2014-09).

- In March, 2016, the FASB issued ASU 2016-07 Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting. To simplify the accounting for equity method investments, the amendments in the Update eliminate the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Earlier application is permitted. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method.

ASUs Pending Effective Date
For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- 2016-02 Leases (Topic 842): In February, 2016, the FASB issued an update that requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The Association is in the process of evaluating what effects the guidance may have on the statements of financial condition and results of operations.

- 2016-01 Financial Instruments – Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities: In January, 2016, the FASB issued an update that is intended to improve the recognition and measurement of financial instruments. The Association is in the process of evaluating what effects the guidance may have on the statements of financial condition and results of operations.

- 2015-14 Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date: In August, 2015, the FASB issued an update that defers by one year the effective date of ASU 2014-09, Revenue from Contracts with Customers. The new ASU reflects decisions reached by the FASB at its meeting on July 9, 2015. The Association is in the process of evaluating what effects the guidance may have on the statements of financial condition and results of operations.

Accounting Standards Effective During the Period
There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below.

No recently adopted accounting guidance issued by the FASB had a significant effect on the current period reporting. See the most recent Annual Report for a detailed description of each of the standards below:

- 2015-07 Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) – The amendment was adopted prospectively. There were no changes to the Association's statements of financial condition or results of operations as a result of this guidance. See Note 6, *Fair Value Measurement*, for the disclosures required by this guidance.

- 2015-01 Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items – The amendment was adopted

retrospectively. There were no changes to the Association's statements of financial condition or results of operations as a result of this guidance.

- 2014-15 Income Statement – Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern: This amendment is effective for the annual reporting period ended December 31, 2016 and interim and annual periods thereafter. It may require additional disclosures but will not have a material impact on the Association's financial condition or results of operations.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	June 30, 2016	December 31, 2015
Real estate mortgage	$ 760,655	$ 746,245
Production and intermediate-term	628,303	623,062
Loans to cooperatives	54,224	31,445
Processing and marketing	118,498	109,881
Farm-related business	47,337	44,297
Communication	83,761	82,163
Energy and water/waste disposal	21,835	21,653
Rural residential real estate	20,445	20,857
International	14,407	13,460
Lease receivables	782	690
Other (including Mission Related)	113	161
Total loans	$ 1,750,360	$ 1,693,914

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

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 (FCA) regulations. The following tables present the principal balance of participation and syndication loans at periods ended:

	June 30, 2016							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 5,109	$ 39,358	$ 10,008	$ –	$ –	$ –	$ 15,117	$ 39,358
Production and intermediate-term	43,739	19,565	75,389	7,728	17,581	–	136,709	27,293
Loans to cooperatives	200	–	54,048	–	–	–	54,248	–
Processing and marketing	23,083	–	52,217	–	38,012	–	113,312	–
Farm-related business	8,427	464	–	–	1,676	–	10,103	464
Communication	8,443	–	75,534	–	–	–	83,977	–
Energy and water/waste disposal	3,735	–	18,134	–	–	–	21,869	–
Rural residential real estate	–	175	–	–	–	–	–	175
Lease receivables	–	–	782	–	–	–	782	–
International	2,438	–	12,000	–	–	–	14,438	–
Total	$ 95,174	$ 59,562	$ 298,112	$ 7,728	$ 57,269	$ –	$ 450,555	$ 67,290

	December 31, 2015							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 2,165	$ 44,166	$ 10,202	$ –	$ –	$ –	$ 12,367	$ 44,166
Production and intermediate-term	40,329	26,434	78,930	7,768	7,077	–	126,336	34,202
Loans to cooperatives	–	–	31,443	–	–	–	31,443	–
Processing and marketing	22,405	477	46,350	–	39,134	–	107,889	477
Farm-related business	8,427	499	–	–	926	–	9,353	499
Communication	8,639	–	73,736	–	–	–	82,375	–
Energy and water/waste disposal	3,757	–	17,934	–	–	–	21,691	–
International	1,471	–	12,000	–	–	–	13,471	–
Lease receivables	–	–	690	–	–	–	690	–
Total	$ 87,193	$ 71,576	$ 271,285	$ 7,768	$ 47,137	$ –	$ 405,615	$ 79,344

A significant source of liquidity for the Association is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

	June 30, 2016			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 16,914	$ 169,163	$ 574,578	$ 760,655
Production and intermediate-term	117,840	348,980	161,483	628,303
Loans to cooperatives	–	44,720	9,504	54,224
Processing and marketing	551	54,834	63,113	118,498
Farm-related business	9,890	28,228	9,219	47,337
Communication	2,829	51,912	29,020	83,761
Energy and water/waste disposal	–	9,115	12,720	21,835
Rural residential real estate	492	2,242	17,711	20,445
International	–	2,433	11,974	14,407
Lease receivables	75	460	247	782
Other (including Mission Related)	–	113	–	113
Total Loans	$ 148,591	$ 712,200	$ 889,569	$ 1,750,360
Percentage	8.49%	40.69%	50.82%	100.00%

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

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	June 30, 2016	December 31, 2015
Real estate mortgage:		
Acceptable	96.06%	96.52%
OAEM	0.99	1.06
Substandard/doubtful/loss	2.95	2.42
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	95.10%	95.53%
OAEM	2.22	2.07
Substandard/doubtful/loss	2.68	2.40
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	92.28%	90.78%
OAEM	3.83	4.79
Substandard/doubtful/loss	3.89	4.43
	100.00%	100.00%
Farm-related business:		
Acceptable	99.24%	99.52%
OAEM	0.47	0.11
Substandard/doubtful/loss	0.29	0.37
	100.00%	100.00%
Communication:		
Acceptable	96.50%	96.43%
OAEM	3.50	3.57
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	June 30, 2016	December 31, 2015
Energy and water/waste disposal:		
Acceptable	89.16%	100.00%
OAEM	10.84	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	93.09%	93.32%
OAEM	2.41	2.11
Substandard/doubtful/loss	4.50	4.57
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Lease receivables:		
Acceptable	72.50%	82.03%
OAEM	26.30	15.66
Substandard/doubtful/loss	1.20	2.31
	100.00%	100.00%
Other (including Mission Related)		
Acceptable	100.00%	91.46%
OAEM	–	–
Substandard/doubtful/loss	–	8.54
	100.00%	100.00%
Total loans:		
Acceptable	95.59%	95.95%
OAEM	1.84	1.74
Substandard/doubtful/loss	2.57	2.31
	100.00%	100.00%

The following tables provide an age analysis of the recorded investment of past due loans as of:

	June 30, 2016					
	30 Through 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 and Accrued Interest	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 909	$ 329	$ 1,238	$ 763,387	$ 764,625	$ –
Production and intermediate-term	2,617	1,355	3,972	626,939	630,911	–
Loans to cooperatives	–	–	–	54,264	54,264	–
Processing and marketing	–	–	–	118,841	118,841	–
Farm-related business	–	–	–	47,554	47,554	–
Communication	–	–	–	83,818	83,818	–
Energy and water/waste disposal	–	–	–	21,856	21,856	–
Rural residential real estate	290	–	290	20,244	20,534	–
International	–	–	–	14,488	14,488	–
Lease receivables	–	3	3	783	786	–
Other (including Mission Related)	–	–	–	114	114	–
Total	$ 3,816	$ 1,687	$ 5,503	$ 1,752,288	$ 1,757,791	$ –

	December 31, 2015					
	30 Through 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 and Accrued Interest	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 2,688	$ 147	$ 2,835	$ 746,269	$ 749,104	$ –
Production and intermediate-term	1,906	1,285	3,191	622,079	625,270	–
Loans to cooperatives	–	–	–	31,468	31,468	–
Processing and marketing	–	–	–	110,204	110,204	–
Farm-related business	–	–	–	44,554	44,554	–
Communication	–	–	–	82,228	82,228	–
Energy and water/waste disposal	–	–	–	21,674	21,674	–
Rural residential real estate	393	60	453	20,478	20,931	–
International	–	–	–	13,545	13,545	–
Lease receivables	–	6	6	687	693	–
Other (including Mission Related)	–	–	–	162	162	–
Total	$ 4,987	$ 1,498	$ 6,485	$ 1,693,348	$ 1,699,833	$ –

Nonperforming assets (including the recorded investment for loans) and related credit quality statistics at period end were as follows:

	June 30, 2016	December 31, 2015
Nonaccrual loans:		
Real estate mortgage	$ 8,044	$ 8,181
Production and intermediate-term	7,016	7,570
Processing and marketing	13	17
Rural residential real estate	54	65
Lease receivables	3	6
Other (including Mission Related)	–	14
Total	$ 15,130	$ 15,853
Accruing restructured loans:		
Real estate mortgage	$ 361	$ 405
Production and intermediate-term	5,384	5,727
Farm-related business	443	491
Total	$ 6,188	$ 6,623
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 21,318	$ 22,476
Other property owned	207	978
Total nonperforming assets	$ 21,525	$ 23,454
Nonaccrual loans as a percentage of total loans	0.86%	0.94%
Nonperforming assets as a percentage of total loans and other property owned	1.23%	1.38%
Nonperforming assets as a percentage of capital	6.19%	7.06%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	June 30, 2016	December 31, 2015
Impaired nonaccrual loans:		
Current as to principal and interest	$ 12,453	$ 13,714
Past due	2,677	2,139
Total	15,130	15,853
Impaired accrual loans:		
Restructured	6,188	6,623
90 days or more past due	–	–
Total	6,188	6,623
Total impaired loans	$ 21,318	$ 22,476
Additional commitments to lend	$ 1,170	$ 158

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	June 30, 2016			Quarter Ended June 30, 2016		Six Months Ended June 30, 2016	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:							
Real estate mortgage	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	1,015	1,419	280	1,019	–	1,031	–
Processing and marketing	–	–	–	–	–	–	–
Farm-related business	–	–	–	–	–	–	–
Rural residential real estate	–	–	–	–	–	–	–
Lease receivables	–	–	–	–	–	–	–
Total	$ 1,015	$ 1,419	$ 280	$ 1,019	$ –	$ 1,031	$ –
With no related allowance for credit losses:							
Real estate mortgage	$ 8,405	$ 9,789	$ –	$ 8,434	$ 92	$ 8,536	$ 183
Production and intermediate-term	11,385	12,820	–	11,424	181	11,562	287
Processing and marketing	13	10	–	13	–	13	–
Farm-related business	443	1,200	–	444	–	450	–
Rural residential real estate	54	166	–	54	–	55	–
Lease receivables	3	57	–	3	–	3	–
Total	$ 20,303	$ 24,042	$ –	$ 20,372	$ 273	$ 20,619	$ 470
Total:							
Real estate mortgage	$ 8,405	$ 9,789	$ –	$ 8,434	$ 92	$ 8,536	$ 183
Production and intermediate-term	12,400	14,239	280	12,443	181	12,593	287
Processing and marketing	13	10	–	13	–	13	–
Farm-related business	443	1,200	–	444	–	450	–
Rural residential real estate	54	166	–	54	–	55	–
Lease receivables	3	57	–	3	–	3	–
Total	$ 21,318	$ 25,461	$ 280	$ 21,391	$ 273	$ 21,650	$ 470

	December 31, 2015			Year Ended December 31, 2015	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real estate mortgage	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	1,098	1,449	249	1,561	–
Processing and marketing	–	–	–	–	–
Energy and water/waste disposal	–	–	–	–	–
Farm-related business	–	–	–	–	–
Rural residential real estate	–	–	–	–	–
Lease receivables	–	–	–	–	–
Other (including Mission Related)	–	–	–	–	–
Total	$ 1,098	$ 1,449	$ 249	$ 1,561	$ –
With no related allowance for credit losses:					
Real estate mortgage	$ 8,586	$ 9,864	$ –	$ 8,370	$ 642
Production and intermediate-term	12,199	14,231	–	15,662	733
Processing and marketing	17	14	–	21	3
Energy and water/waste disposal	–	–	–	660	–
Farm-related business	491	491	–	530	–
Rural residential real estate	65	145	–	134	–
Lease receivables	6	61	–	62	–
Other (including Mission Related)	14	832	–	1,531	–
Total	$ 21,378	$ 25,638	$ –	$ 26,970	$ 1,378
Total:					
Real estate mortgage	$ 8,583	$ 9,864	$ –	$ 8,370	$ 642
Production and intermediate-term	13,300	15,680	249	17,223	733
Processing and marketing	17	14	–	21	3
Energy and water/waste disposal	–	–	–	660	–
Farm related business	491	491	–	530	–
Rural residential real estate	65	145	–	134	–
Lease receivables	6	61	–	62	–
Other (including Mission Related)	14	832	–	1,531	–
Total	$ 22,476	$ 27,087	$ 249	$ 28,531	$ 1,378

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows. Prior to issuance of the Association's 2015 Annual Report, management identified errors in classification of the loan portfolio among the various FCA loan type categories that are used to report disaggregated loan information in footnote disclosures. As discussed in Note 3, *Loans and Allowance for Loan Losses*, of the Association's 2015 Annual Report, FCA loan type classifications prior to December 31, 2015 have been revised as necessary to reflect these loan type classifications, as adjusted. In the table below, activity for the quarter and six months ended June 30, 2015 is presented as revised.

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivables	Other (Including Mission Related)	Total
Activity related to the allowance for credit losses:										
Balance at March 31, 2016	$ 1,164	$ 5,473	$ 2,128	$ 1,720	$ 347	$ 65	$ 35	$ 14	$ 2	$ 10,948
Charge-offs	–	(48)	–	–	–	–	–	–	–	(48)
Recoveries	–	3	–	–	–	–	–	–	–	3
Provision for loan losses	(123)	73	103	141	83	(7)	17	–	(1)	286
Balance at June 30, 2016	$ 1,041	$ 5,501	$ 2,231	$ 1,861	$ 430	$ 58	$ 52	$ 14	$ 1	$ 11,189
Balance at December 31, 2015	$ 1,753	$ 5,447	$ 1,341	$ 1,080	$ 204	$ 147	$ 25	$ 29	$ 2	$ 10,028
Charge-offs	–	(48)	–	–	–	–	–	–	–	(48)
Recoveries	–	32	–	–	–	–	–	–	–	32
Provision for loan losses	(712)	70	890	781	226	(89)	27	(15)	(1)	1,177
Balance at June 30, 2016	$ 1,041	$ 5,501	$ 2,231	$ 1,861	$ 430	$ 58	$ 52	$ 14	$ 1	$ 11,189
Balance at March 31, 2015	$ 1,144	$ 5,476	$ 2,374	$ 594	$ 1,001	$ 317	$ 19	$ 45	$ 2	$ 10,972
Charge-offs	(1)	(54)	–	–	(413)	(66)	–	–	–	(534)
Recoveries	–	–	–	–	–	–	–	–	–	–
Provision for loan losses	347	659	(1,089)	149	(329)	(96)	9	6	–	(344)
Balance at June 30, 2015	$ 1,490	$ 6,081	$ 1,285	$ 743	$ 259	$ 155	$ 28	$ 51	$ 2	$ 10,094
Balance at December 31, 2014	$ 1,315	$ 5,944	$ 1,258	$ 560	$ 1,022	$ 429	$ 21	$ 59	$ 2	$ 10,610
Charge-offs	(1)	(80)	–	–	(413)	(66)	–	–	–	(560)
Recoveries	3	–	–	–	–	–	–	–	–	3
Provision for loan losses	173	217	27	183	(350)	(208)	7	(8)	–	41
Balance at June 30, 2015	$ 1,490	$ 6,081	$ 1,285	$ 743	$ 259	$ 155	$ 28	$ 51	$ 2	$ 10,094
Allowance on loans evaluated for impairment:										
Individually	$ –	$ 280	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 280
Collectively	1,041	5,221	2,231	1,861	430	58	52	14	1	10,909
Balance at June 30, 2016	$ 1,041	$ 5,501	$ 2,231	$ 1,861	$ 430	$ 58	$ 52	$ 14	$ 1	$ 11,189
Individually	$ –	$ 249	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 249
Collectively	1,753	5,198	1,341	1,080	204	147	25	29	2	9,779
Balance at December 31, 2015	$ 1,753	$ 5,447	$ 1,341	$ 1,080	$ 204	$ 147	$ 25	$ 29	$ 2	$ 10,028
Recorded investment in loans evaluated for impairment:										
Individually	$ 6,356	$ 3,663	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 10,019
Collectively	758,269	627,248	220,659	83,818	21,856	20,534	14,488	786	114	1,747,772
Balance at June 30, 2016	$ 764,625	$ 630,911	$ 220,659	$ 83,818	$ 21,856	$ 20,534	$ 14,488	$ 786	$ 114	$ 1,757,791
Individually	$ 6,650	$ 4,794	$ –	$ –	$ –	$ –	$ –	$ –	$ 14	$ 11,458
Collectively	742,453	620,477	186,226	82,228	21,674	20,931	13,545	693	148	1,688,375
Balance at December 31, 2015	$ 749,103	$ 625,271	$ 186,226	$ 82,228	$ 21,674	$ 20,931	$ 13,545	$ 693	$ 162	$ 1,699,833

**Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*

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 following table presents additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. In the tables below, activity for the quarter and six months ended June 30, 2015 is presented as revised for FCA loan type reclassifications discussed above. There were no new TDRs that occurred during the three months ended June 30, 2015.

	Three Months Ended June 30, 2016				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Production and intermediate-term	$ –	$ 900	$ –	$ 900	
Total	$ –	$ 900	$ –	$ 900	
Post-modification:					
Production and intermediate-term	$ –	$ 900	$ –	$ 900	$ –
Total	$ –	$ 900	$ –	$ 900	$ –

	Six Months Ended June 30, 2016				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Production and intermediate-term	$ –	$ 900	$ –	$ 900	
Total	$ –	$ 900	$ –	$ 900	
Post-modification:					
Production and intermediate-term	$ –	$ 900	$ –	$ 900	$ –
Total	$ –	$ 900	$ –	$ 900	$ –

	Six Months Ended June 30, 2015 (as revised)				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Production and intermediate-term	$ 1,400	$ 185	$ –	$ 1,585	
Other (including Mission Related)	–	–	1,000	1,000	
Total	$ 1,400	$ 185	$ 1,000	$ 2,585	
Post-modification:					
Production and intermediate-term	$ 1,400	$ 185	$ –	$ 1,585	$ –
Other (including Mission Related)	–	–	1,000	1,000	–
Total	$ 1,400	$ 185	$ 1,000	$ 2,585	$ –

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015 (as revised)**	**2016**	**2015 (as revised)**
Real estate mortgage	$ –	$ –	$ –	$ 197
Total	$ –	$ –	$ –	$ 197

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

	Total TDRs		Nonaccrual TDRs	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Real estate mortgage	$ 970	$ 1,060	$ 609	$ 655
Production and intermediate-term	7,753	8,355	2,369	2,629
Farm-related business	443	491	–	–
Other (including Mission Related	–	14	–	14
Total Loans	$ 9,166	$ 9,920	$ 2,978	$ 3,298
Additional commitments to lend	$ 110	$ 155		

The following table presents information as of period end:

	June 30, 2016	December 31, 2015
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	$ 136	$ 403
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ –	$ 60

Note 3 — Investments

Investment Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment program approved by FCA. In its Conditions of Approval for the program, the FCA considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. At June 30, 2016, the Association held no RABs whose credit quality has deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	June 30, 2016				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 2,243	$ 292	$ –	$ 2,535	6.23%

	December 31, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 2,277	$ 86	$ –	$ 2,363	6.23%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	June 30, 2016		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	–	–	–
After ten years	2,243	2,535	6.23
Total	$ 2,243	$ 2,535	6.23%

All of these investments have contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is based on the date the impairment was first identified. The Association had no investments that have been in a continuous unrealized loss position for the periods presented.

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more

likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

Investments in other Farm Credit Institutions

The Association is required to maintain ownership in AgFirst Farm Credit Bank (AgFirst or the Bank) of Class B and Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 8.30 percent of the issued stock of the Bank as of June 30, 2016 net of any reciprocal investment. As of that date, the Bank's assets totaled $31.6 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $144 million for the first six months of 2016. In addition, the Association held investments of $1,036 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component *(a)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Employee Benefit Plans:				
Balance at beginning of period	$ (52)	$ (61)	$ (52)	$ (61)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	1	1	1	1
Net current period other comprehensive income	1	1	1	1
Balance at end of period	$ (51)	$ (60)	$ (51)	$ (60)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	Three Months Ended June 30,		Six Months Ended June 30,		
	2016	2015	2016	2015	Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$ (1)	$ (1)	$ (1)	$ (1)	See Note 7.
Net amounts reclassified	$ (1)	$ (1)	$ (1)	$ (1)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — Fair Value Measurement

Fair value is defined 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.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Fair values are estimated at least annually, or when information suggests a significant change in value, for assets measured at fair value on a nonrecurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	At or for the Six Months Ended June 30, 2016					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 556	$ 556	$ –	$ –	$ 556	
Recurring Assets	$ 556	$ 556	$ –	$ –	$ 556	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 21,038	$ –	$ –	$ 21,038	$ 21,038	$ (47)
Other property owned	207	–	–	261	261	(268)
Nonrecurring Assets	$ 21,245	$ –	$ –	$ 21,299	$ 21,299	$ (315)
Other Financial Instruments						
Assets:						
Cash	$ 54	$ 54	$ –	$ –	$ 54	
Investment securities, held-to-maturity	2,243	–	–	2,535	2,535	
Loans	1,718,133	–	–	1,724,501	1,724,501	
Other Financial Assets	$ 1,720,430	$ 54	$ –	$ 1,727,036	$ 1,727,090	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,422,968	$ –	$ –	$ 1,430,671	$ 1,430,671	
Other Financial Liabilities	$ 1,422,968	$ –	$ –	$ 1,430,671	$ 1,430,671	

	At or for the Year Ended December 31, 2015					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 529	$ 529	$ –	$ –	$ 529	
Recurring Assets	$ 529	$ 529	$ –	$ –	$ 529	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 22,227	$ –	$ –	$ 22,227	$ 22,227	$ 1,963
Other property owned	978	–	–	1,129	1,129	3
Nonrecurring Assets	$ 23,205	$ –	$ –	$ 23,356	$ 23,356	$ 1,966
Other Financial Instruments						
Assets:						
Cash	$ 50	$ 50	$ –	$ –	$ 50	
Investment securities, held-to-maturity	2,277	–	–	2,363	2,363	
Loans	1,661,659	–	–	1,659,861	1,659,861	
Other Financial Assets	$ 1,663,986	$ 50	$ –	$ 1,662,224	$ 1,662,274	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,380,830	$ –	$ –	$ 1,377,230	$ 1,377,230	
Other Financial Liabilities	$ 1,380,830	$ –	$ –	$ 1,377,230	$ 1,377,230	

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investment Securities

The fair values of predominantly all Level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities. These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques

Management determines the Association’s valuation policies and procedures. The Bank performs the majority of the Association’s valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 21,299	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*

** Ranges for this type of input are not useful because each collateral property is unique.*

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
Investment securities, held-to-maturity	Discounted cash flow	Prepayment rates Risk adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 7 — Employee Benefit Plans

The following table summarizes retirement and other postretirement benefit expenses for the Association:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Pension	$ 766	$ 781	$ 1,531	$ 1,562
401(k)	201	202	400	381
Other postretirement benefits	162	217	324	435
Total	$ 1,129	$ 1,200	$ 2,255	$ 2,378

The following table summarizes retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 6/30/16	Projected Contributions For Remainder of 2016	Projected Total Contributions 2016
Pension	$ 10	$ 1,659	$ 1,669
Other postretirement benefits	204	222	426
Total	$ 214	$ 1,881	$ 2,095

Contributions in the table above include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2016.

Further details regarding employee benefit plans are contained in the 2015 Annual Report to Shareholders, including a discussion of benefit plan changes related to the termination of the AgFirst Farm Credit Cash Balance Retirement Plan.

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through August 8, 2016, which was the date the financial statements were issued.