FARM CREDIT OF CENTRAL FLORIDA, ACA

2015 ANNUAL REPORT

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Craig A. Register ..... Executive Vice President
D. Scott Fontenot ..... Executive Vice President & Treasurer
Courtney A. Eelman ..... Senior Vice President
Jeffrey T. Phillips ..... Senior Vice President
Regina W. Thomas ..... Senior Vice President
Michael R. "Ron" O'Connor ..... Senior Vice President
Scarlet D. Detjen ..... Vice President – Director of Internal Audit

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Jenny R. Black. ..... Director
C. Dennis Carlton, Sr. ..... Director
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John S. Langford ..... Director
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David J. Stanford ..... Director
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Message from the President & Chief Executive Officer

I am pleased to report that your association completed another successful year. During 2015, loan volume grew approximately 12% with total assets growing 8.6%. Your staff was very busy and handled over 200 "New Money Loan" relationships for over $140,000,000. A large percentage of these loans were long-term real estate loans and were fully funded when originated as compared to the past several years when the majority of new loans were for operating lines that only funded for a brief period of time.

Because of your efforts to meet your obligations and our staff's continued dedication to provide exceptional customer service your Association continues to experience improved credit quality and financial performance. While the general economy and most commodity groups are continuing to experience improved conditions, the challenges from citrus greening continue.

The Association's financial performance and strong capital position have allowed your board of directors to declare an estimated cash patronage of $4.0 million, which will be approximately 16% of the interest earned on your loan. In addition, during July 2015 the Association distributed $2.2 million cash to the holders of the 2003 series of surplus allocated.

During 2016 we are celebrating our 100th anniversary. We are very proud of our heritage and look forward to another 100 years serving central Florida agriculture and rural communities.

I encourage you to review this annual report, which covers in greater detail our performance for 2015 and previous years. We are especially proud of our accomplishments as we continue to bring the **"Cooperative Advantage"** to you by returning the profits of the association to you in the form of patronage.

Looking forward into 2016, we have set the following **Key Initiatives:**

1. **Promote Growth of Loan Volume** – With a strong capital position the association can continue to meet the needs of our stockholders and allow for reasonable growth of our existing members and potential new members' financial needs. During 2015 we implemented a new financing program for equipment "***Farm Credit Express***" to reach new members and better serve our existing members. In addition, we will continue to improve the efficiency of our credit delivery process to ensure the best customer service experience while controlling costs.

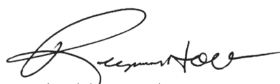
2. **Continue to Generate sufficient Earnings to Support a Strong Patronage Program –** In addition to our growth initiatives, we are always looking for ways to improve the efficiency of our operations to deliver credit to our members in a cost efficient manner and provide superior customer service. We are constantly evaluating our staffing needs and structure as well as utilizing our investment in technology to exceed your expectations.

3. **Effectively Manage Credit Risk and Other Controllable Risks –** Effectively managing risk is important to the financial wellbeing of all the association's stockholders. We are continuously evaluating underwriting processes, internet and data security, and other risk management practices to assure the association is operated in a safe and sound manner. ***Confidentiality and privacy is of foremost importance to us as we protect our customers' personal and financial information***.

4. **Maintain a Diverse, Professional and High-performing Staff –** Having the right staff to serve our members is as important as anything we do. We must hire and retain the appropriate individuals. We are focused on utilizing performance driven standards for our employees and promote appropriate and effective training. The Board has established a Human Capital Plan that has resulted in a professional, effective, diverse and inclusive workforce.

5. **Offer Financial Planning Services** – During 2015 the Association began offering financial and succession planning services to its members and the public through "***Money Concepts at Farm Credit***". We are committed to assisting you in ensuring the successful succession of your agricultural operation and heritage for many generations.

We look forward to the challenges and opportunities of the next 100 years. I hope you will consider attending the Annual Stockholders Meeting. If we can be of service to you, please let us know and remember to tell your friends and neighbors about the advantages of borrowing from your cooperative, Farm Credit of Central Florida, ACA.



Reginald T. Holt
Chief Executive Officer

March 10, 2016

Report of Management

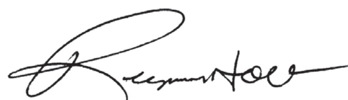
The accompanying Consolidated Financial Statements and related financial information appearing throughout this annual report have been prepared by management of Farm Credit of Central Florida, ACA (Association) in accordance with generally accepted accounting principles appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the consolidated financial statements and financial information contained in this report.

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors.

The Consolidated Financial Statements have been audited by independent certified public accountants, whose report appears elsewhere in this annual report. The Association is also subject to examination by the Farm Credit Administration.

The Consolidated Financial Statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2015 Annual Report of Farm Credit of Central Florida, 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.

John S. Langford
Chairman of the Audit Committee



Reginald T. Holt
Chief Executive Officer

D. Scott Fontenot
Chief Financial Officer

March 10, 2016

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, to provide 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 and 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 December 31, 2015. 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 December 31, 2015, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2015.

Reginald T. Holt
Chief Executive Officer

D. Scott Fontenot
Chief Financial Officer

March 10, 2016

Consolidated Five - Year Summary of Selected Financial Data

	December 31,				
(dollars in thousands)	**2015**	**2014**	**2013**	**2012**	**2011**
Balance Sheet Data					
Cash	**$ 320**	$ 271	$ 277	$ 56	$ 512
Investment securities	**24,612**	31,756	39,511	47,900	47,285
Loans	**445,550**	399,417	374,964	356,337	342,346
Allowance for loan losses	**(6,803)**	(9,237)	(8,095)	(11,626)	(10,158)
Net loans	**438,747**	390,180	366,869	344,711	332,188
Investments in other Farm Credit institutions	**6,268**	6,608	7,303	8,832	11,665
Other property owned	**16**	—	1,108	1,759	3,394
Other assets	**13,970**	16,942	17,734	11,946	11,368
Total assets	**$ 483,933**	$ 445,757	$ 432,802	$ 415,204	$ 406,412
Notes payable to AgFirst Farm Credit Bank*	**$ 379,668**	$ 344,844	$ 337,140	$ 333,645	$ 329,555
Accrued interest payable and other liabilities with maturities of less than one year	**11,717**	12,409	11,245	6,609	5,055
Total liabilities	**391,385**	357,253	348,385	340,254	334,610
Protected borrower stock	**—**	—	—	1	6
Capital stock and participation certificates	**858**	860	902	952	1,020
Retained earnings					
Allocated	**28,505**	30,740	34,167	34,202	33,183
Unallocated	**63,673**	57,369	49,767	39,813	37,586
Accumulated other comprehensive income (loss)	**(488)**	(465)	(419)	(18)	7
Total members' equity	**92,548**	88,504	84,417	74,950	71,802
Total liabilities and members' equity	**$ 483,933**	$ 445,757	$ 432,802	$ 415,204	$ 406,412
Statement of Income Data					
Net interest income	**$ 10,954**	$ 11,384	$ 10,810	$ 10,637	$ 10,064
Provision for (reversal of allowance for) loan losses	**(1,983)**	1,340	(747)	2,595	10,202
Noninterest income (expense), net	**(2,633)**	758	1,809	(3,268)	(5,429)
Net income (loss)	**$ 10,304**	$ 10,802	$ 13,366	$ 4,774	$ (5,567)
Key Financial Ratios					
Rate of return on average:					
Total assets	**2.36%**	2.59%	3.27%	1.20%	(1.34)%
Total members' equity	**11.27%**	12.34%	16.67%	6.45%	(7.26)%
Net interest income as a percentage of average earning assets	**2.54%**	2.79%	2.71%	2.76%	2.55%
Net (chargeoffs) recoveries to average loans	**(0.112)%**	(0.053)%	(0.783)%	(0.337)%	(1.284)%
Total members' equity to total assets	**19.12%**	19.85%	19.50%	18.05%	17.67%
Debt to members' equity (:1)	**4.23**	4.04	4.13	4.54	4.66
Allowance for loan losses to loans	**1.53%**	2.31%	2.16%	3.26%	2.97%
Permanent capital ratio	**20.42%**	21.18%	21.13%	19.15%	18.84%
Total surplus ratio	**20.21%**	20.96%	20.87%	18.85%	18.16%
Core surplus ratio	**18.86%**	18.24%	17.64%	16.42%	15.72%
Net Income Distribution					
Estimated patronage refunds:					
Cash	**$ 4,000**	$ 3,200	$ 3,500	$ 1,528	$ —
Nonqualified retained earnings	**—**	—	—	1,019	—

** General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2016.*

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

(dollars in thousands, except as noted)

GENERAL OVERVIEW

The following commentary summarizes the financial condition and results of operations of Farm Credit of Central Florida, ACA, (Association) for the year ended December 31, 2015 with comparisons to the years ended December 31, 2014 and December 31, 2013. This information should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and other sections in this Annual Report. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" reflected in this Annual Report. Information in any part of this Annual Report may be incorporated by reference in answer or partial answer to any other item of the Annual Report.

The Association is an institution of the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 90 years. The System's mission is to maintain and improve the income and well-being of American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses. The System is the largest agricultural lending organization in the United States. The System is regulated by the Farm Credit Administration, (FCA), which is an independent safety and soundness regulator.

The Association is a cooperative, which is owned by the members (also referred to throughout this Annual Report as stockholders or shareholders) served. The territory of the Association extends across a diverse agricultural region of central Florida. Refer to Note 1, *Organization and Operations*, of the Notes to the Consolidated Financial Statements for counties in the Association's territory. The Association provides credit to farmers, ranchers, rural residents, and agribusinesses. Our success begins with our extensive agricultural experience and knowledge of the market.

The Association obtains funding from AgFirst Farm Credit Bank (AgFirst or Bank). The Association is materially affected and shareholder investment in the Association could be affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, ***www.agfirst.com,*** or may be obtained at no charge by calling 1-800-845-1745, extension 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, Post Office Box 1499, Columbia, SC 29202.

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, ***www.FarmCreditCFL.com***, or by calling 1-800-533-2773, or writing D. Scott Fontenot, Chief Financial Officer, Farm Credit of Central Florida, ACA, Post Office Box 8009, Lakeland, FL 33802-8009. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, which is available on the internet, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD LOOKING INFORMATION

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

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System, as a government-sponsored enterprise, as well as investor and rating-agency reactions to events involving other government-sponsored enterprises and other financial institutions; and
- actions taken by the Federal Reserve System in implementing monetary policy.

AGRICULTURAL OUTLOOK

The following United States Department of Agriculture (USDA) analysis provides a general understanding of the U.S. agricultural economic outlook. However, this outlook does not take into account all aspects of the Association's business. References to USDA information in this section refer to the U.S. agricultural market data and are not limited to information/data for the Association.

The February 2016 USDA forecast estimates 2015 farmers' net cash income, which is a measure of the cash income after payment of business expenses, at $93.2 billion, down $34.9 billion from 2014 and down $7.8 billion from its 10-year average of $101.0 billion. The decline in net cash income in 2015 was primarily due to decreases in livestock receipts of $26.5 billion and crop receipts of $18.0 billion, partially offset by a decrease in cash expenses of $10.2 billion.

The February 2016 USDA forecast for the farm economy, as a whole, forecasts 2016 farmers' net cash income to decrease to $90.9 billion, a $2.3 billion decrease from 2015, and $10.1 billion below the 10-year average. The forecasted decrease in farmers' net cash income for 2016 is primarily due to an expected decrease in cash receipts of $9.5 billion, partially offset by a decrease in cash expenses of $3.5 billion and an increase in direct government payments of $3.3 billion. The decrease in cash receipts reflects a $7.9 billion decline in livestock receipts primarily due to decreased dairy, livestock, hog, and poultry receipts. Crop receipts are predicted to decrease modestly by $1.6 billion in 2016. Corn production is expected to increase slightly in 2016, but continued weakening in corn prices is expected to more than offset production gains, leading to an expected decline of $0.8 billion in corn receipts.

The following table sets forth the commodity prices per bushel for certain crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2012 to December 31, 2015:

Commodity	12/31/15	12/31/14	12/31/13	12/31/12
Hogs	$42.80	$64.30	$61.50	$62.40
Milk	$17.20	$20.40	$22.00	$20.90
Broilers	$0.47	$0.58	$0.56	$0.58
Turkeys	$0.89	$0.73	$0.69	$0.67
Corn	$3.65	$3.79	$4.41	$6.87
Soybeans	$8.76	$10.30	$13.00	$14.30
Wheat	$4.71	$6.14	$6.73	$8.30
Beef Cattle	$122.00	$164.00	$130.00	$124.00

The USDA's income outlook varies depending on farm size and commodity specialties. The USDA classifies all farms into four primary categories: small family farms (gross cash farm income (GCFI) less than $350 thousand), midsize family farms (GCFI between $350 thousand and under $1 million), large-scale family farms (GCFI of $1 million or more), and nonfamily farms (principal operator or individuals related to the operator do not own a majority of the business). Approximately 99 percent of U.S. farms are family farms and the remaining 1 percent are nonfamily farms. The family farms produce 90 percent of the value of agricultural output and the nonfamily farms produce the remaining 10 percent of agricultural output. The small family farms represent about 90 percent of all U.S. farms, hold 57 percent of farm assets and account for 22 percent of the value of production. Approximately 68 percent of production occurs on 9 percent of family farms classified as midsize or large-scale.

According to the USDA February 2016 forecast, the growth in the values of farm sector assets, debt, and equity are forecasted to moderate in 2016. The slowdown reflects the expectation of a second year of declining net farm income and stable to small reductions in farmland values. Farm sector assets are expected to decline from $2.86 trillion for 2015 to $2.82 trillion in 2016 primarily due to a decline in the value of farm real estate. In addition, most other farm assets such as crop inventories, financial assets, and livestock and poultry inventories are expected to drop in 2016. Overall, farm sector debt is estimated to increase from $364.3 billion in 2015 to $372.5 billion in 2016. Farm business equity (assets minus debt) is expected to decline to $2.44 trillion in 2016 from $2.50 trillion in 2015.

Two measures of the financial health of the agricultural sector used by the USDA are the farm sector's debt-to-asset and debt-to-equity ratios. As a result of the decline in farm assets and continued increase in farm debt, these ratios are forecast to rise in 2016 to 13.2 percent and 15.3 percent from 10.5 percent and 11.8 percent in 2013, which was the lowest value for both measures since 1954. The USDA notes the increase in these ratios suggests a higher amount of financial stress is building in the sector relative to recent years. However, even though these measures have increased every year for the past three years, each remains low relative to historical levels. The USDA also indicated that it appears that the farm sector is well insulated from the risks associated with declining commodity prices, adverse weather, changing macroeconomic conditions, as well as fluctuations in farm asset values.

As estimated by the USDA in February 2016, the System's market share of farm business debt (defined as debt incurred by those involved in on-farm agricultural production) declined to 39.6 percent at December 31, 2014 (the latest available data), as compared with 41.0 percent at December 31, 2013.

In general, agriculture, during the past several years, experienced favorable economic conditions driven by high commodity and livestock prices and increased farmland values during this period. To date, AgFirst's financial results have remained favorable as a result of these favorable agricultural conditions. Production agriculture; however, remains a cyclical business that is heavily influenced by commodity prices and various other factors.

In an environment of less favorable economic conditions in agriculture, including extensive and extended drought conditions, and without sufficient government support programs, including USDA-sponsored crop insurance programs, AgFirst's financial performance and credit quality measures would likely be negatively impacted. Conditions in the general economy remain more volatile given the state of the global economy. Certain agriculture sectors, as described more fully in this *Management's Discussion and Analysis*, recently have experienced significant financial stress and could experience financial stress in the near future. Any negative impact from these less favorable conditions should be lessened by geographic and commodity diversification and the influence of off-farm income sources supporting agricultural-related debt. However, agricultural borrowers who are more reliant on off-farm income sources may be more adversely impacted by a weakened general economy.

CRITICAL ACCOUNTING POLICIES

The financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of

certain assets or liabilities. We consider these policies critical because management must make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements. The following is a summary of certain critical policies.

- *Allowance for loan losses* — The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through allowance reversals and loan charge-offs. The allowance for loan losses is determined based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic and political conditions, loan portfolio composition, credit quality and prior loan loss experience.

  Significant individual loans are evaluated based on the borrower's overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantor, and, if appropriate, the estimated net realizable value of any collateral. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by nature, contains elements of uncertainty and imprecision. Changes in the agricultural economy and their borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary from the Association's expectations and predictions of those circumstances.

  Management considers the following factors in determining and supporting the levels of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties in farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences. Changes in the factors considered by management in the evaluation of losses in the loan portfolios could result in a change in the allowance for loan losses and could have a direct impact on the provision for loan losses and the results of operations.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets for which an observable liquid market exists, such as most investment securities. Management utilizes significant estimates and assumptions to value items for which an observable liquid market does not exist. Examples of these items include impaired loans, other property owned, pension and other postretirement benefit obligations, and certain other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Association's results of operations.

- *Pensions* — The Bank and its related Associations participate in defined benefit retirement plans. These plans are noncontributory and benefits are based on salary and years of service. In addition, the Bank and its related Associations also participate in defined contribution retirement savings plans. Pension expense for all plans is recorded as part of salaries and employee benefits. Pension expense for the defined benefit retirement plans is determined by actuarial valuations based on certain assumptions, including expected long-term rate of return on plan assets and discount rate. The expected return on plan assets for the year is calculated based on the composition of assets at the beginning of the year and the expected long-term rate of return on that portfolio of assets. The discount rate is used to determine the present value of our future benefit obligations. The discount rate for 2014 was selected by reference to analysis and yield curves of the plans' actuary and industry norms.

REGIONAL ECONOMICS

The recession that likely started in mid-2007 in Florida finally came to an end in 2012. Growth of Real Gross State Product in that first year of the recovery showed Florida's economy expanding at a 1.7% pace. In 2013, the economy accelerated as growth increased to 2.5% as rising consumer confidence, a deepening of the housing market recovery, population growth, and progress repairing the damage in the labor market helped set the stage for even faster economic growth. The improved fundamental underpinnings of the state's economy are helping to accelerate growth in 2015, with RGSP expected to expand at 3.3%, the fastest growth rate in the recovery to date.

Florida's labor market recovery continues to outpace the recovery in the national job market as it has since 2012. During the three year period covering 2012-2014, average payroll growth in Florida was 2.6%. Over the same period, the national rate of job growth averaged 1.8%. The state unemployment rate hit a seven-year low of 5.0 percent in November 2015, per the United States Department of Labor.

The state's strong jobs market means the amount that Florida businesses will pay into the post of money used to dole out unemployment benefits will drop by more than half during 2016. Effective January 1, 2016, the Florida state unemployment tax per employee dropped from $16.80 to $7. Florida Department of Economic Opportunity reported that the reason the rate was going down is because across the state, we are seeing more and more Floridians employed. In the past four years, the tax has been reduced 94 percent from the 2012 rate of $120.80. It is a clear sign that the state's economy and job market is strong and has rebounded from the January 2009 peak of the recession.

In 2009, Florida was averaging between 24,000 and 30,000 new filers for unemployment benefits per week and federally mandated unemployment benefits covered 12 months. For the last several months of 2015, there were an average of about 8,000 new filings per week and unemployment benefits only last

about 14 weeks, or just over three months. This is an indication of a healthy economy.

The October 2015 single-family home report released by Florida Realtors continues to depict a housing market that is moving at a rapid pace. The median sales price for single-family homes increased $21,995 in October 2015, year over year, and now stands at $198,995, a year over year appreciation of 12.4%. Price appreciation in the townhome/condominium market was a little slower at 7.2%, as the median sales price increased $10,100 year over year and registered at $150,000 in October of 2015.

Rising disposable income nationwide is fueling consumer confidence everywhere and therefore bolstering tourism and spending in Florida. But, the concentration of jobs in tourism, finance, transportation and trade related-industries will make the area's economy slightly more susceptible to downturns in national and global business cycles.

The outlook for 2016 is positive in many industries across the state, thanks to the state's concentration of industries that respond strongly to the national economy. Employment is set to climb quicker than that of the U.S. as a whole, in 2015 and 2016, on the back of service industries and a stronger housing recovery. The national economic recovery will enable professional and business services to play a major role in job creation, while discretionary income at the national level will boost tourism. The presence of several excellent universities across the state and a large, elderly population will keep education and healthcare growing.

Agricultural Sectors

Agriculture, agribusiness, food processing and manufacturing are still a significant economic driver to the Florida economy. These business segments provide significant jobs and revenues to the state and local economies.

The agricultural industry in the Central Florida region produces a wide variety of farm commodities with nursery, citrus and strawberries still the largest market segments and principal commodities financed. To a lesser, but still material degree, the Association has exposures in the blueberry and cattle industries (primarily cow-calf operations). However, when viewed from a repayment dependency standpoint, financing of cattle operations is less significant than nursery, citrus, strawberries and blueberries. None of the commodities produced in the region are included in any USDA government support programs and are not materially impacted by changes in U.S. farm legislation. The agricultural demographics of the region have significantly changed as a result of non-agricultural development pressures and three devastating freeze events that occurred in the 1980's. Other than some adverse impacts of hurricanes during 2004, the region has not suffered a major catastrophic event such as a severe freeze event since December 1989.

While the overall agricultural economy in the central Florida region has been good over the last few years, there are several significant issues that have affected the area. These issues include the introduction of pest and plant diseases such as citrus canker and greening to the citrus industry, weather-related risks, water-use regulations, environmental rules and regulations, land use and growth management regulations, and challenges to property rights. Nursery growers have seen stabilization in the market as the economy has improved from the recent recession. Many of Florida's producers, including strawberry and citrus growers, are concerned with labor shortages for harvest seasons.

Floriculture and Nursery

The floriculture and nursery product sectors continue to be a significant market for the Association, with production concentrated primarily in the Apopka area (including Orange, Lake and Volusia counties). Nursery producers in the Association's territory produce a variety of nursery products, including but not limited to woody ornamentals and trees, annual and perennial bedding and garden plants, and potted foliage and greens. History has shown that the demand for each of these crops is driven by different market factors.

A majority of the Association's nursery portfolio is with growers involved in the production of outdoor plant material and trees. These segments are highly sensitive to construction activity, and as such, were adversely impacted during the recent recession. Financing of tropical foliage grown primarily for indoor use represents a lesser, but still significant portion of the Association's nursery portfolio. The condition of this mature market correlates highly with general economic conditions. With the improving national and state economies and increased construction in Florida, growers in all nursery segments have generally enjoyed positive revenue and earnings trends over the past four years. Additional discussion of the tree and woody ornamental segments is provided below.

Trees: Oaks, magnolia, elm and other tree varieties are primarily grown for end-use in the outdoor landscape market. As such, a large portion of the total demand for these crops is driven by landscape regulation, new housing construction and home-improvement activity. As demand for landscape trees fell between 2006 and 2011, nurseries decreased or stopped planting new production, abandoned existing fields, ceased maintaining critical infrastructure, and in many cases completely exited the market. Demand is increasing due to shortages in various product lines combined with an increase in housing starts, which is resulting in prices slowly and steadily increasing. The growers that were able to maintain production and inventory levels are well positioned to take advantage of the shortages that are now being seen in the marketplace. Producers willing and able to make the capital investment today to expand capacity will need to wait 4-6 years for the inventories to mature. It is projected that housing starts will continue to increase over the next several years; therefore, shortages in plant material could occur during that time.

Woody ornamentals: This segment is similar to the tree sector in its reliance and sensitivity to landscape regulation, new housing starts, and home improvement activity. This sector has also seen a steady increase in demand with shortages due to lack of production and inventory shrink during the previous recession. Growers that were able to maintain inventories or that were able to react in a timely fashion are taking advantage of these shortages and demanding higher prices. Inventory turn in this sector is somewhat shorter than the tree sector and would range from 18 months to 3 years.

Nursery growers in the Association's territory should continue to benefit from the unique growing conditions inherent to the region and the established marketing and transportation infrastructure that exists. With improvement seen in the housing

and development sectors, ornamental and tree markets are likely to experience an increase in demand.

Strawberries

The U.S. strawberry industry is primarily located in the southern and coastal areas in California where production practices thrive under moderate climates with warm days and low humidity. The 2012 census data reported 38,500 acres of strawberries were harvested in California. Florida and Oregon are the second and third largest strawberry-producing states, respectively. Florida production for 2012 was reported at 8,700 acres while Oregon was approximately 2,000 acres. The census data also reported 2.76 billion pounds of strawberry production was harvested in California, with Florida and Oregon reporting 182.7 million and 21.3 million pounds produced, respectively. Since 2012, Florida's strawberry growing production area has continued to increase. It is estimated that over 11,000 acres were planted during the most recently completed 2014/15 season. The Association finances a significant majority of strawberry producers in Hillsborough County, Florida.

Although Florida produces about fifteen percent of the nation's strawberries, it produces nearly all of the berries harvested in the U.S. during the winter months. Florida's typical harvest season begins around Thanksgiving and goes into March with typical peak season in March. California production ramps down by November and what little remains stays west of the Mississippi. In March, California shipments start ramping upward enough to begin supplying eastern markets and cut into Florida strawberry profit margins. This leaves Florida with an advantageous market window in the winter months.

Over the last two decades, the U.S. strawberry industry has experienced increased rates of consumption at a higher rate than other fruits and vegetables. Strawberries are the fifth most preferred fresh fruit in the United States, behind bananas, apples, watermelon and grapes.

Per capita fresh strawberry use in the United States has generally trended higher since 1980, reaching a record 7.9 pounds per person in 2013. Greater awareness of the importance of fruits and vegetables in a healthy diet (health benefits include antioxidant levels, folate, potassium, vitamin C, and fiber content), increased year-round availability through domestic production and imports, and adoption of better varieties helped promote increased strawberry consumption in the United States.

There are some threats to the profitability of Florida's winter strawberry growers. These include potential increases in competing production from Mexico, a marketing window that can be shortened by California production, water availability and regulations as well as local weather conditions. A number of strawberry growers have vertically integrated their operations by performing functions such as cooling, packing, processing and marketing. In fact, many of the Association's larger growers (and hence those to which the ACA has the greatest exposure) are fully integrated with strawberry growing, packing and shipping operations, and are consequently less vulnerable to changes in growing conditions from season to season. Due to improved vegetable crop demand and price, many strawberry growers practice double cropping techniques by following strawberries with vegetables planted on the same prepared beds.

Citrus

The citrus industry is an essential part of the Florida economy. Florida Citrus Mutual reports that the citrus industry in the state provides a total economic revenue impact of $9 billion. Florida is second behind Brazil in orange production for juice. The industry supports 76,000 jobs in Florida and is the backbone of many communities in the state's heartland. The Florida citrus industry is, however, under threat by a number of challenges in dealing with diseases (e.g., citrus canker, citrus greening, black spot and tristeza), extreme weather conditions (e.g., hurricanes), constrained nursery and budwood supply, urban development, energy cost increases, environmental policy, labor issues, and long-term uncertainty.

Citrus greening, a bacterial disease spread by the Asian citrus psyllid, poses a serious threat to Florida's citrus industry. The disease causes citrus trees to die and adversely impacts fruit production and quality, and this is evident in commercial citrus acreage and production declines. The USDA National Agricultural Statistics preliminary report on *Commercial Citrus Inventory* dated September 17, 2015 states that Florida citrus acreage had decreased to 501,396 acres. This was down 3% from the previous USDA survey, and the lowest citrus acreage in the state since the mid-1960's. However, there continues to be interest in growing citrus; the September 2015 report indicated that there had been 12,343 acres planted since the previous year. This is the most recorded plantings in a single season since the beginning of USDA's annual surveys in 2009. Offsetting new plantings was a loss of 26,094 citrus acres, primarily attributed to greening, which resulted in the net loss of 13,751 acres or 3%. Along with the declining citrus acreage, there has been a significant decrease in Florida citrus production. The USDA January 12, 2016 Florida citrus estimate was only 69 million boxes of oranges for the current 2015/16 season. This represents a 29% decline from the previous 2014/15 season and was 34% less than the 2013/14 season. Compared with the prior ten seasons, forecasted 2015/16 orange production represents a significant decline, and is approximately 40.5% of the 170.2 million boxes harvested during the 2007/08 season.

Florida has also experienced declines in grapefruit and specialty citrus fruit. Although grown to some extent within the Association's chartered territory, these citrus types do not comprise a large component in most of our citrus growers' operations. Our growers' primary citrus crop remains oranges grown for processing into concentrated and not-from-concentrate orange juice.

As noted above, there is still interest in planting new citrus groves within the state despite the challenges from greening and high grove maintenance expenses. This is being bolstered by currently high citrus prices and the availability of long term contracts with fruit processors. Also, many industry participants believe that the considerable research into greening will yield significant results in the near future. This includes the development of new treatments and greening resistant trees. At this time, however, combating greening primarily involves control of psyllid populations to prevent spread and enhanced tree nutritional programs.

Blueberries

Commercial blueberry production has significantly increased in Florida since 2000. Florida has become a major producer of

early-season blueberries. In Florida, blueberries can be grown commercially as far south as Highlands and DeSoto counties and north to the Georgia border. U-pick blueberry farms are scattered throughout Florida, primarily near population centers.

Advantages of blueberries include their high market value for early-season fruit, wide consumer acceptance and health benefits, and the availability of commercial and/or pick-your-own (u-pick) marketing channels. The primary disadvantages include freeze hazard to early-flowering cultivars, exacting cultural requirements to maintain good plant health, insects, pests, diseases, and birds.

Florida's early-season southern highbush cultivars are the first blueberries to ripen in North America. Most of the state's blueberries grown for commercial shipping are harvested between early April and late May. The Florida blueberry industry has developed despite production problems because Florida growers can produce high-quality fruit when few fresh berries are available. High prices received for this fruit have made some farms more profitable even with relatively low yields. However, high prices encourage competition. If berry prices remain high, competition from Central America, Mexico, and the Caribbean may eventually develop. The best long-term defense for Florida growers is through higher yields per acre, lower production costs, and development of currently under-exploited markets for blueberries. Improvements have been made to grower production and efficiency during the last several years – including releasing new highbush variety plants. Acreage and production continue to increase and fruit prices have generally been at levels necessary for profitable operations.

The amount of additional blueberries that can be sold on the national market without forcing the price down is unknown, but Florida has the potential to produce larger quantities of blueberries early in the year, when prices are highest. Shipment of southern highbush blueberries from Florida begins during early April. Producers in southeast Georgia can harvest southern highbush blueberries in mid-to-late April. Shipment of large quantities of blueberries from California begins in mid-May and from other eastern states in late May. At present, the market window from April 1 to May 10 is available almost exclusively to Florida and South Georgia growers who grow southern highbush blueberries. A major incentive for developing blueberry plantings in central and south-central Florida has been the ability to put blueberries on the market during late March and early April.

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 through numerous product types. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including horticulture, citrus, strawberries, and cattle. 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, reduces the level of dependency on a given commodity.

The Association's total servicing loan volume for the past three years is shown below.

	December 31,					
Servicing Loan Volume	**2015**		**2014**		**2013**	
	(dollars in thousands)					
Net Loans Outstanding	$ 445,550	49.10%	$ 399,417	43.72%	$ 374,964	43.00%
Participations Sold	239,923	26.45	234,748	25.70	287,162	32.93
Available Commitments	197,293	21.74	247,780	27.12	170,371	19.54
Investments	24,612	2.71	31,576	3.46	39,511	4.53
Total	$ 907,378	100.00%	$ 913,521	100.00%	$ 872,008	100.00%

The diversification of the Association loan volume by type for each of the past three years is shown below. In the table below, classifications of loan type information for 2014 and 2013 have been updated for amounts that were previously reported in the 2014 Annual Report to correct errors. See Note 3, *Loans and Allowance for Loan Losses,* in the Notes to the Financial Statements for information on classification revisions.

	December 31,					
Loan Type	**2015**		**2014 (as revised)**		**2013 (as revised)**	
	(dollars in thousands)					
Real estate mortgage	$ 224,160	50.31%	$ 208,040	52.09%	$ 194,453	51.85%
Production and Intermediate-term	144,445	32.43	135,756	33.98	134,541	35.88
Processing and marketing	56,409	12.66	37,126	9.30	29,773	7.94
Farm-related business	8,614	1.93	5,050	1.26	5,095	1.36
Rural residential real estate	6,734	1.51	7,933	1.99	8,164	2.18
Communication	5,188	1.16	3,603	0.90	734	0.20
Energy	–	–	1,909	0.48	2,204	0.59
Total	$ 445,550	100.00%	$ 399,417	100.00%	$ 374,964	100.00%

While we make loans and provide financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, our loan portfolio is diversified.

The distribution of the loan volume by line of business for the past three years is as follows:

Line of Business	December 31, 2015	2014	2013
Apopka	6.29%	7.40%	8.83%
Plant City	4.47	6.40	6.90
Brooksville	2.90	3.63	3.37
Lake Wales	3.06	4.26	2.67
Lakeland	0.04	0.03	0.71
Agribusiness	58.97	61.82	62.25
Capital Markets	17.08	12.33	8.25
Residential Lending	1.95	0.10	0.05
Special Assets	5.24	4.03	6.97
	100.00%	100.00%	100.00%

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer.

The major commodities in the Association loan portfolio are shown below. The predominant commodities are strawberry, livestock, nursery, and citrus, which constitute over 60 percent of the entire portfolio.

Commodity Group per SIC Codes	December 31 2015		December 31 2014		December 31 2013	
	(dollars in thousands)					
Strawberries	$ 80,854	18.15%	$ 65,353	16.36%	$ 60,799	16.21%
Livestock	75,033	16.84	66,458	16.64	47,634	12.70
Nursery	64,467	14.47	67,403	16.88	74,928	19.98
Citrus	55,366	12.43	63,867	15.99	78,471	20.93
Blueberries	25,815	5.79	26,637	6.67	22,074	5.89
Fruits & Vegetables	22,531	5.06	15,811	3.96	11,624	3.10
Landlord/Lessors	20,662	4.64	13,513	3.38	7,108	1.90
Poultry	15,285	3.43	11,715	2.93	10,228	2.73
Timber	12,209	2.74	10,524	2.64	11,810	3.15
Rural Home	7,584	1.70	9,030	2.26	9,405	2.51
Other	65,744	14.75	49,106	12.29	40,883	10.90
Total	$ 445,550	100.00%	$ 399,417	100.00%	$ 374,964	100.00%

The Association manages concentration risks, both industry and large borrower, through an internal hold limit policy based on individual loan risk ratings, loss given defaults, and industry concentrations. Industry concentrations for hold limit purposes are calculated using the repayment dependency code rather than the SIC code. As a result, for portfolio management purposes, industry classifications are determined based on high dependency of repayment coming from the actual commodity itself. Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the off-farm income of borrowers. For example, citrus and livestock industries are a large percent of the total portfolio but each also have very low repayment dependency coming from the actual commodity itself. Portfolio management industries concentrations are classified in three concentration levels based on the industry concentration (with high dependency) as a percent of total ACA capital; 1) High – greater than 100% of total capital; 2) Medium – between 50% and 100% of total capital; and 3) Low – less than 50% of total capital. The Association's loan portfolio contains two medium concentrations in the nursery and strawberry industries. All other industries are in the low concentration level.

Portfolio Management Industry as % of Capital	December 31, 2015	2014	2013
	(% of Total Capital)		
Strawberries	74.59%	78.05%	80.37%
Nursery	66.16	72.45	86.37
Citrus	42.03	46.20	53.15
Blueberries	21.70	25.44	20.77
Fruits & Vegetables	19.05	22.57	21.18

The concentration of large loans has decreased over the past several years and the agricultural enterprise mix of these loans is diversified and similar to that of the overall portfolio. The risk in the portfolio associated with commodity concentration and large loans is reduced by the range of diversity of enterprises in the Association's territory as well as the new internal hold limit policy which will limit any additional increases to already high concentrations.

The increase in loan volume for the twelve months ended December 31, 2015, is primarily attributed to increased demand for loans from within the Association's charted territory coupled with increased borrowings on large corporate lines of credit.

The short-term portfolio, which is cyclical in nature and heavily influenced by operating-type loans, normally reaches a minimum balance in August or September and rapidly increases in the fall months as strawberry and other winter vegetable growers increase their borrowings to prepare for the next crop season. The Association has grown the long-term portfolio through increased mortgage lending on real estate and facilities used for agriculture production.

During 2015, the Association increased activity in total loan participations purchased within the System. Loan participations purchased provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income, which may strengthen its capital position.

Loan Participations:	December 31, 2015	2014	2013
	(dollars in thousands)		
Participations Purchased – FCS Institutions	$ 76,305	$ 49,367	$ 30,952
Participations Sold	(239,923)	(234,748)	(287,162)
Total	$ (163,618)	$ (185,381)	$ (256,210)

For the years ended December 31, 2015, 2014, and 2013, the Association did not have any loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests.

The Association sells qualified long-term residential mortgage loans into the secondary market. For the years ended December 31, 2015, 2014, and 2013, the Association originated loans for resale totaling $9,827, $5,474, and $6,251, respectively, which were sold into the secondary market.

INVESTMENT SECURITIES

As permitted under FCA regulations, the Association is authorized to hold eligible investments for the purposes of reducing interest rate risk and managing surplus short-term funds. The Bank is responsible for approving the investment policies of the Association. The Bank annually reviews the investment portfolio of every Association that it funds. The Association's investments consist of pools of Small Business Administration (SBA) guaranteed loans. These investments carry the full faith and credit of the United States government. The balance of these SBA investments, classified as being held-to-maturity, amounted to $24,612 at December 31, 2015, $31,756 at December 31, 2014, and $39,511 at December 31, 2013.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. As part of the process to evaluate the success of a loan, the Association continues to review the credit quality of the loan portfolio on an ongoing basis. With the approval of the Association Board of Directors, the Association establishes underwriting standards and lending policies that provide direction to loan officers. Underwriting standards include, among other things, an evaluation of:

- Character – borrower integrity and credit history
- Capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income
- Collateral – protection for the lender in the event of default and a potential secondary source of repayment
- Capital – ability of the operation to survive unanticipated risks
- Conditions – intended use of the loan funds

The credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower's ability to repay the loan based upon cash flows from operations or other sources of income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 percent of the original appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. With certain exceptions identified in Association policy, appraisals are required for loans of more than $250,000. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

We review the credit quality of the loan portfolio on an ongoing basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System, which is used by all Farm Credit System institutions. Below are the classification definitions.

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table presents selected statistics related to the credit quality of loans including accrued interest at December 31.

Credit Quality	2015	2014	2013
Acceptable & OAEM	93.36%	92.50%	88.90%
Substandard	6.64%	7.50%	11.10%
Doubtful	--%	–%	–%
Loss	--%	–%	–%
Total	100.00%	100.00%	100.00%

Nonperforming Assets

The Association's loan portfolio is divided into performing and high-risk categories. The Special Assets Management Department is responsible for servicing loans classified as high-risk. The high-risk assets, including accrued interest, are detailed below:

	December 31,		
High-risk Assets	**2015**	**2014**	**2013**
	(dollars in thousands)		
Nonaccrual loans	$ 7,106	$ 7,886	$ 8,157
Restructured loans	10,418	13,381	15,624
Accruing loans 90 days past due	--	–	–
Total high-risk loans	17,524	21,267	23,781
Other property owned	16	–	1,108
Total high-risk assets	$ 17,540	$ 21,267	$ 24,889
Ratios			
Nonaccrual loans to total loans	1.59%	1.97%	2.18%
High-risk assets to total assets	3.62%	4.77%	5.75%

Nonaccrual loans represent all loans where there is a reasonable doubt as to the collection of principal and/or future interest accruals, under the contractual terms of the loan. In substance, nonaccrual loans reflect loans where the accrual of interest has been suspended. Nonaccrual loans decreased $780 or 9.89% in 2015. This decrease is a result of liquidations, transfers back to accrual, transfers to other property owned, and charge-offs ranging from various industries and loan types. The largest nonaccrual sectors are nursery, citrus and cattle loans due to the weakness associated with the individual borrower's repayment capacity and continuing decline of overall collateral values. Of the $7,106 in nonaccrual volume at December 31, 2015, $4,697 or 66.10%, was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status compared to 55% and 38% at December 31, 2014 and 2013, respectively. The Association had $16 in other property owned at December 31, 2015. During 2015, the Association sold no properties and acquired 1 property which increased the balance by $16.

Loan restructuring is available to financially distressed borrowers. Restructuring of loans occurs when the Association grants a concession to a borrower based on either a court order or good faith in a borrower's ability to return to financial viability. The concessions can be in the form of a modification of terms or rates, a compromise of amounts owed, or deed in lieu of foreclosure. Other receipts of assets and/or equity to pay the loan in full or in part are also considered restructured loans. The type of alternative financing structure chosen is based on minimizing the loss incurred by both the Association and the borrower.

Allowance for Loan Losses

The allowance for loan losses at each period end was considered by Association management to be adequate to absorb probable losses existing in and inherent to its loan portfolio. The allowance for loan losses is broken down between specific reserves assigned to an individual loan and general reserves which are available for the expected losses within the entire portfolio. The current allowance for loan losses at December 31, 2015 contains $3,198 in specific reserves and $3,605 in general reserves.

The following table presents the activity in the allowance for loan losses for the most recent three years.

Allowance for Loan Losses Activity:	Year Ended December 31, 2015	2014 (as revised)	2013 (as revised)
	(dollars in thousands)		
Balance at beginning of year	$ 9,237	$ 8,095	$ 11,626
Charge-offs:			
Real estate mortgage	(452)	(299)	(1,578)
Production and intermediate-term	(59)	(157)	(1,098)
Agribusiness	–	–	–
Rural residential real estate	(151)	(46)	(139)
Total charge-offs	(662)	(502)	(2,815)
Recoveries:			
Real estate mortgage	204	230	16
Production and intermediate-term	–	71	15
Rural residential real estate	7	3	–
Total recoveries	211	304	31
Net (charge-offs) recoveries	(451)	(198)	(2,784)
Provision for (reversal of allowance for) loan losses	(1,983)	1,340	(747)
Balance at end of year	$ 6,803	$ 9,237	$ 8,095
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(0.122)%	(0.053)%	(0.783)%

The $1,983 allowance for loan loss reversal taken in 2015 was primarily the result of improved asset quality and decreases in non-earning assets. The net loan charge-offs of $451 were primarily associated with the nursery and rural home industries and were attributed to the overall decline in collateral values causing increased expected loan losses.

The allowance for loan losses by loan type for the most recent three years is as follows:

Allowance for Loan Losses by Type	December 31, 2015	2014 (as revised)	2013 (as revised)
	(dollars in thousands)		
Real estate mortgage	$ 2,300	$ 4,994	$ 4,153
Production and intermediate-term	4,301	3,387	3,108
Communication	20	20	2
Agribusiness	48	443	299
Rural residential real estate	134	393	533
Total loans	$ 6,803	$ 9,237	$ 8,095

The allowance for loan losses as a percentage of loans outstanding and as a percentage of certain other credit quality indicators is shown below:

Allowance for Loan Losses as a Percentage of:	December 31, 2015	2014	2013
Total loans	1.53%	2.31%	2.16%
Nonperforming loans	38.82%	43.43%	34.04%
Nonaccrual loans	95.74%	117.13%	99.24%

Please refer to Note 3, *Loans and Allowance for Loan Losses*, of the Notes to the Consolidated Financial Statements, for further information concerning the allowance for loan losses. The Allowance for Loan Losses was determined according to generally accepted accounting principles.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income was $10,954, $11,384, and $10,810 in 2015, 2014 and 2013, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The primary reason for the decrease in net interest income for 2015 as compared to 2014 is the decrease in nonaccrual recovery. Net interest income for 2014 contained a large recovery on a liquidated nonaccrual asset. Higher loan volume during 2015 was offset by decreased loan spreads which also contributed to the decrease. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income:

	Volume*	Rate	Total
(dollars in thousands)			
12/31/15 - 12/31/14			
Interest income	$ 1,025	$ (799)	$ 226
Interest expense	322	334	656
Change in net interest income	$ 703	$ (1,133)	$ (430)
12/31/14 - 12/31/13			
Interest income	$ 335	$ 258	$ 593
Interest expense	(12)	31	19
Change in net interest income	$ 347	$ 227	$ 574

* *Volume variances can be the result of increased/decreased loan volume or from changes in the percentage composition of assets and liabilities between periods.*

Noninterest Income

Noninterest income for each of the three years ended December 31 is shown in the following table:

Noninterest Income	For the Year Ended December 31, 2015	2014	2013	Percentage Increase/(Decrease) 2015/ 2014	2014/ 2013
	(dollars in thousands)				
Loan fees	$ 439	$ 427	$ 593	2.81%	(27.99)%
Fees for financially related services	238	131	116	81.68	12.93
Patronage refund from other Farm Credit Institutions	7,076	9,945	10,710	(28.85)	(7.14)
Gains (losses) on other rural home loans, net	207	123	145	68.29	(15.17)
Gains (losses) on other transactions	(2)	14	15	(114.29)	(6.67)
Other noninterest income	50	43	56	16.28	(23.21)
Total noninterest income	$ 8,008	$ 10,683	$ 11,635	(25.04)%	(8.18)%

Noninterest income decreased $2,675 or 25.04% for December 31, 2015, as compared to the same period of 2014. December 31, 2014 noninterest income decreased $952 or 8.18% when compared to the same period of 2013. The decrease in noninterest income for 2015 and 2014 is primarily the result of decreased patronage refunds from other Farm Credit Institution. The Association received a $2,360 special patronage distribution from the Bank in 2015 as compared to $4,150 in 2014 and $5,212 in 2013. The Association's patronage earnings from the Capitalized Participation Pool (CPP) with AgFirst were $703 compared to prior year's $1,715 and 2013's $1,484 The decrease in CPP earnings is due to the a decrease in recoveries recognized within the pool in 2015 as compared to 2014 and 2013.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is shown in the following table:

Noninterest Expense	For the Year Ended December 31, 2015	2014	2013	Percentage Increase/(Decrease) 2015/ 2014	2014/ 2013
	(dollars in thousands)				
Salaries and employee benefits	$ 7,452	$ 7,378	$ 6,911	1.00%	6.76%
Occupancy and equipment	648	622	650	4.18	(4.31)
Insurance Fund premium	405	349	290	16.05	20.34
(Gains) losses on other Property owned, net	5	(428)	250	101.17	(271.20)
Other operating expenses	2,131	2,001	1,723	6.50	16.13
Total noninterest expense	$ 10,641	$ 9,922	$ 9,824	7.25%	1.00%

Noninterest expense increased $719 or 7.25 percent for December 31, 2015, as compared to the same period of 2014 and December 31, 2014 increased $98 or 1.0 percent compared to the same period of 2013. The primary reason for the increase in 2015 was the increase in personnel costs, nonaccrual expenses, and insurance fund premiums. The Association also recorded a $5 loss on Other Property Owned in 2015 as opposed to a $428 gain in 2014.

During 2015, salaries and employee benefits increased 1.00% from 2014 as a result of normal annual merit increases and promotions. The 6.76% increase during 2014 from 2013 was due to a higher corporate bonus plan earned and accrued from 2013 as well as normal annual merit increases and promotions.

Other operating expenses increased 6.5% during 2015 as compared to 2014 due to increased nonaccrual expenses.

Insurance Fund premiums increased 16.05 percent for the twelve months ended December 31, 2015, compared to the same period of 2014. The Farm Credit System Insurance Corporation (FCSIC) changed the methodology in assessing the insurance premiums as a result of the 2008 Farm Bill. The FCSIC set premiums at 13 basis points on adjusted insured debt outstanding for 2015 with an additional 10 basis point premium on the average principal outstanding of nonaccrual loans and any other-than-temporarily impaired investments. For 2014, the FCSIC set premiums at 12 basis points, on adjusted insured debt outstanding with an additional 10 basis point premium on the average principal outstanding of nonaccrual loans and any other-than-temporarily impaired investments. For 2013, the FCSIC set premiums at 10 basis points on adjusted insured debt outstanding with an additional 10 basis points for nonaccrual loans and any other-than-temporarily impaired investments.

Income Taxes

The Association recorded a $0 provision for income taxes for the year ended December 31, 2015, as compared to $3 provision for 2014, and $2 for 2013. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning Association income taxes.

Key Results of Operations Comparisons

Key results of operations comparisons for each of the twelve months ended December 31 are shown in the following table:

Key Results of Operations Comparisons	For the 12 Months Ended 12/31/15	12/31/14	12/31/13
Return on average assets	2.36%	2.59%	3.27%
Return on average members' equity	11.27%	12.34%	16.67%
Net interest income as a percentage of average earning assets	2.54%	2.79%	2.71%
Net (charge-offs) recoveries to average loans	(0.11)%	(0.05)%	(0.78)%

A key factor in the growth of net income for future years will be continued improvement in net interest and noninterest income as well as improvement in overall asset quality. Our goal is to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for our members. To meet this goal, the agricultural economy must stabilize and improve and the Association must meet certain objectives. These objectives are to attract and maintain high quality loan volume priced at competitive rates and to manage credit risk in our entire portfolio, while efficiently meeting the credit needs of our members.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA 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 the funds to the Association, creating notes payable (or direct loans) to the Bank. The Bank manages interest rate risk through direct loan pricing and asset/liability management. The notes payable are segmented into variable rate and fixed rate components. 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. Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2015, was $379,668 as compared to $344,844 at December 31, 2014 and $337,140 at December 31, 2013. The increase of 10.10 percent compared to December 31, 2014 was attributable to the increase of total loan assets. The average volume of outstanding notes payable to the Bank was $339,328 and $323,037 for the years ended December 31, 2015 and 2014, respectively. Refer to Note 6, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase loan volume. As borrower payments are received, they are applied to the Association's note payable to the Bank. The Association's investments and other secondary market programs provide additional liquidity. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association.

The Association had no lines of credit from third party financial institutions as of December 31, 2015.

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to provide stable and rising earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed, adjustable and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or the 30-day and 90-day London Interbank Offered Rate (LIBOR). Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

The majority of the interest rate risk in the Association's Consolidated Balance Sheets is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify and control risk associated with the loan portfolio.

Relationship with the Bank

The Association's statutory obligation to borrow only from the Bank is discussed in Note 6, *Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements in this annual report. The Bank's ability to access capital of the Association is discussed in Note 4, *Investment in Other Farm Credit Institutions*, of the Notes to the Consolidated Financial Statements. The Bank's role in mitigating the Association's exposure to interest rate risk is described in the "Liquidity and Funding" section of this Management's Discussion and Analysis and in Note 6, *Notes Payable to AgFirst Farm Credit Bank*, included in this annual report.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability,

to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2015 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at December 31, 2015, increased 4.57 percent to $92,548 from the December 31, 2014, total of $88,504. At December 31, 2014, total members' equity increased 4.84 percent from the December 31, 2013 total of $84,417. The increase in 2015 was primarily attributed to the positive earnings which caused an increase in retained earnings (allocated surplus and unallocated surplus) being partially offset by the reduction in capital stock and participation certificates as well as the payment of $4,000 in cash patronage distributions and the revolvement of $2,235 in allocated surplus.

Total capital stock and participation certificates were $858 on December 31, 2015, compared to $860 on December 31, 2014 and $902 on December 31, 2013. The 2015 decrease from 2014 and the 2014 decrease from 2013 were attributed to the retirement of protected borrower stock and participation certificates on loans liquidated in the normal course of business and the retirement of excess stock through revolvement.

FCA sets minimum regulatory capital requirements for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios. According to the FCA regulations, each institution's permanent capital ratio is calculated by dividing permanent capital by a risk adjusted asset base. Risk adjusted assets mean the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. For all periods represented, the Association exceeded minimum regulatory standards for all the ratios. The Association's capital ratios as of December 31 and the FCA minimum requirements follow:

	2015	2014	2013	Regulatory Minimum
Permanent capital ratio	20.42%	21.18%	21.13%	7.00%
Total surplus ratio	20.21%	20.96%	20.87%	7.00%
Core surplus ratio	18.86%	18.24%	17.64%	3.50%

The decrease in the Association's Permanent Capital Ratio for December 31, 2015 from December 31, 2014 was attributed to an increase in permanent capital offset by an increase in risk adjusted assets. Improved earnings during 2015 coupled with a lower required equity investment in the Bank was the reason for the improvement in the Permanent Capital Ratio from prior period 2014. The increase in risk adjusted assets also caused the decrease in the Association's Total Surplus Ratio for 2015. The increase in the Association's 2014 capital ratios compared to prior year 2013 results from improved earnings and lower required equity investment in the Bank. There are no trends, commitments, contingencies, or events that are likely to affect the Association's ability to meet regulatory minimum capital standards and capital adequacy requirements.

See Note 7, *Members' Equity*, of the Consolidated Financial Statements, for further information concerning capital resources.

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, (b) participation loans purchased, and (c) other non-patronage sourced activities, the remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association declared patronage distributions of $4,000 in 2015, $3,200 in 2014 and $3,500 in 2013.

YOUNG, BEGINNING AND SMALL (YBS) FARMERS AND RANCHERS PROGRAM

The Association's mission is to provide financial services to agriculture and the rural community, which includes providing credit to Young*, Beginning** and Small*** farmers. Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual marketing goals to increase our market share of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit. As a result, 2015 goals for new volume were established. In 2015 the Association achieved all but one of its YBS goals.

2015 YBS Goals and Results	2015 Goal	2015 Result	% of Goal
Young			
# of New Loans	15	20	133.33%
$ of New Loans	$1,500	$7,574	504.90%
Beginning			
# of New Loans	35	48	137.14%
$ of New Loans	$7,000	$11,666	166.65%
Small			
# of New Loans	40	86	215.00%
$ of New Loans	$7,000	$14,095	201.36%
Total YBS Program			
# of New Loans	90	154	171.11%
$ of New Loans	$15,500	33,335	215.06%

The following table outlines the loan volume and number of YBS loans in the loan portfolio for the Association.

	As of December 31, 2015	
	Number of Loans	Amount of Loans
Young	67	$13,689
Beginning	200	33,613
Small	332	45,286

Note: For purposes of the above table, a loan could be classified in more than one category, depending upon the characteristics of the underlying borrower.

The 2012 USDA Ag census data has been used as a benchmark to measure penetration of the Association's marketing efforts. The census data indicated that within the Association's chartered territory (counties) there were 18,246 reported farmers of which by definition 1,039 or 5.70 percent were Young, 4,279 or 23.45 percent were Beginning, and 12,928 or 70.85 percent were Small. Comparatively, as of December 31, 2015, the demographics of the Association's agricultural portfolio contained 599 YBS farmers, of which by definition 67 or 10.60 percent were Young, 200 or 33.11 percent were Beginning and 332 or 54.97 percent were Small.

The Association Board of Directors has adopted a Young, Beginning, and Small Farmer Plan with specific goals for the number of loans and new volume closed for 2016 and two succeeding years. The Association will continue to review the demographics of its territory during 2016 utilizing 2012 Ag census data.

The following strategies and outreach programs have been conducted which assists and supports the Association's efforts to meet its objectives and goals for financing to the Young, Beginning, and Small farmers.

- Support of 4-H, FFA, and young farmer organizations through sponsorships and donations.
- Sponsor seminars on farm transition planning and financial management.
- Youth livestock financing program for Youth Steer and Swine Shows. Available territory wide.
- Financial Training in cooperation with Florida Southern College, Citrus and Horticulture Dept.
- Employees serve as judges for youth livestock project record books.
- Sponsor participants and participate in Florida Council of Coops, Young Cooperator Conference.
- Sponsor Florida Nursery Growers Young Professional Award.

In addition, the Association's lending personnel actively participate in various commodity trade group conferences and continuing education programs. Association lenders have established performance goals to provide informational and financial training to agricultural youth groups and industry trade associations.

The Association is committed to the future success of Young, Beginning and Small farmers.

* Young farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who are age 35 or younger as of the date the loan is originally made.

** Beginning farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who have 10 years or less farming or ranching experience as of the date the loan is originally made.

*** Small farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who normally generate less than $250 in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

REGULATORY MATTERS

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 Wall Street Reform and Consumer Protection Act (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.
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

On September 4, 2014, the FCA published a proposed rule in the Federal Register to modify the regulatory capital requirements for System banks and associations. The initial public comment period ended on February 16, 2015. On June 15, 2015, the Farm Credit Administration reopened the comment period from June 26 to July 10, 2015. The FCA expects to issue a final regulation in 2016. 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.
- To meet the requirements of section 939A of the Dodd-Frank Act.

FINANCIAL REGULATORY REFORM

The Dodd-Frank Act was signed into law on July 21, 2010. While the Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial services industry, many of the statutory provisions of the Dodd-Frank Act are not applicable to the Farm Credit System.

The provisions of the Dodd-Frank Act pertaining to the regulation of derivatives transactions require, among other things, more of these transactions to be cleared through a third-party central clearinghouse and traded on regulated exchanges or other multilateral platforms. Margin is required for these transactions. Derivative transactions that are not subject to mandatory trading and clearing requirements may be subject to minimum margin and capital requirements. The Commodity Futures Trading Commission and other federal banking regulators have exempted System institutions from certain, but not all, of these new requirements, including, for swaps with members, mandatory clearing and minimum margin for noncleared swaps.

Notwithstanding the above-mentioned exemptions from clearing and margin requirements for System institutions, counterparties of System institutions may require margin or other forms of credit support as a condition to entering into noncleared transactions because such transactions may subject these counterparties to more onerous capital, liquidity and other requirements absent such margin or credit support. Alternatively, these counterparties may pass on the capital and other costs associated with entering into transactions if insufficient margin or other credit support is not provided.

The Dodd-Frank Act requirements may make derivative transactions more costly and less attractive as risk management tools for System institutions; and thus may impact the System's funding and hedging strategies.

The Dodd-Frank Act also created a new federal agency called the Consumer Financial Protection Bureau (CFPB). The CFPB has the responsibility to regulate the offering of consumer financial products or services under federal consumer financial laws. The Farm Credit Administration retains the responsibility to oversee and enforce compliance by System institutions with relevant rules adopted by the CFPB.

In light of the foregoing, it is difficult to predict at this time the extent to which the Dodd-Frank Act or the forthcoming implementing rules and regulations will have an impact on the System. However, it is possible they could affect funding and hedging strategies and increase funding and hedging costs.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements for recently issued accounting pronouncements.

Disclosure Required by Farm Credit Administration Regulations

Description of Business

Descriptions of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered and related Farm Credit organizations are incorporated herein by reference to Note 1, *Organization and Operations*, of the Consolidated Financial Statements included in this Annual Report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, is incorporated in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in this Annual Report.

Unincorporated Business Entities

The Association had no unincorporated business entities at December 31, 2015.

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity, all of which are located in Florida:

Location	Description	Form of Ownership
115 S. Missouri Ave.* Lakeland	Administrative/ Branch	Leased
507 E. Third Street Apopka	Branch	Owned
36 W. Polk Avenue** Lake Wales	Branch	Owned
2301 Thonotosassa Road Plant City	Branch	Owned
31081 Cortez Blvd.*** Brooksville	Branch	Leased

* *The Administrative / branch office located at 115 S. Missouri Ave. is leased through December 31, 2016 with a 4-year option to renew. Renewal was executed on October 30, 2015 for a new 4-year term through December 31, 2020.*

** *The Lake Wales branch office was officially closed for business on December 31, 2015. All accounts have been transferred to and will be serviced by the Lakeland branch office. The property is listed for sale.*

*** *The Brooksville branch office located at 31081 Cortez Blvd. was leased through November 30, 2012 and was then converted to a month-to-month rental.*

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 11, *Commitments and Contingencies*, of the Consolidated Financial Statements included in this Annual Report.

Description of Capital Structure

Information to be disclosed in this section is incorporated herein by reference to Note 7, *Members' Equity*, of the Consolidated Financial Statements included in this Annual Report.

Description of Liabilities

The description of liabilities, contingent liabilities and obligations to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 9 and 11 of the Consolidated Financial Statements included in this Annual Report.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this Annual Report and is to be disclosed in this section, is incorporated herein by reference.

Senior Officers

The following represents certain information regarding the senior officers of the Association and their business experience for the past five years:

Senior Officer	Time in Position	Prior Experience
Reginald T. Holt, *President & Chief Executive Officer*	8 years	Sr. VP & Director of Agribusiness Lending from October 1997 to April 2008. Area VP from June 1992 to October 1997. Also serves on the Executive Committee of the AgFirst Farm Credit Council and the AgFirst/Farm Credit Bank of Texas Benefits Plan Sponsor Committee.
Craig A. Register, *Executive Vice President / Chief Lending Officer*	8 years	Director of Credit Administration at AgFirst from December 2004 to February 2008. Various positions of increasing responsibilities in the Association's Credit Department from January 1986 to November 2004.
D. Scott Fontenot, *Executive Vice President & Corporate Treasurer / CFO*	7 years	Association Director of Risk Management from March 2009 to June 2009. EVP & CFO of Jack M. Berry, Inc. from 2005 to 2009. CFO of Farm Credit of Southwest Florida from 2000 to 2004.
Courtney A. Eelman *Sr. Vice President / Chief Credit Officer*	4 years	Association Director of Loan Administration from March 2008 to 2011. Association Credit Administrator from December 2003 to March 2008. Credit Analyst with AmSouth Bank from November 2001 to December 2003. Association Credit Analyst from December 1999 to October 2001.
Jeffrey T. Phillips, *Sr. Vice President / Chief Relationship Manager*	8 years	Association Sr. Relationship Manager from January 2001 to March 2008, Association Credit Analyst from August 1997 to January 2001.
Regina W. Thomas, *Sr. Vice President / Chief Business Development Officer*	8 years	Association Relationship Manager from November 1999 to March 2008. Branch Manager at Carolina Farm Credit from April 1994 to November 1999.
M. Ronald O'Connor *Sr. Vice President /Marketing Related Service Manager and Governmental Affairs*	7 years	Association Marketing Related Service Manager from March 1987 to March 2009. Also member of the Florida Citrus Mutual, Florida Cattlemen's Association's, FNGLA's allied committees, Florida Ag Hall of Fame, Florida Council of Cooperatives and awarded an Honorary FFA membership.

The total amount of compensation earned by the CEO and the highest paid officers as a group during the years ended December 31, 2015, 2014 and 2013, is as follows:

Name of Individual or Number in Group	Year	Salary	Bonus	Deferred Comp.	Change in Pension Value	Perq/ Other*	Total
Reginald T. Holt	2015	$ 321,367	$ 100,074	$ –	$ (85,423)	$ –	$ 336,018
Reginald T. Holt	2014	$ 312,512	$ 108,442	$ –	$ 513,535	$ –	$ 934,489
Reginald T. Holt	2013	$ 312,512	$ 117,941	$ –	$ 1,093,144	$ –	$ 1,523,597
6	2015	$ 972,939	$ 219,243	$ –	$ 178,664	$ –	$ 1,370,846
7	2014	$ 1,086,919	$ 306,078	$ –	$ 1,039,597	$ –	$ 2,432,594
8	2013	$ 1,047,820	$ 293,014	$ –	$ 5,295	$ –	$ 1,346,129

** Amounts in the above table classified as Perquisites include travel incentives, group life insurance, automobile compensation, purchased automobile, spousal travel, relocation and tuition reimbursement, if the annual aggregate value of such Perquisites is more than $5,000.*

Disclosure of information on the total compensation paid during 2015 to any senior officer or to any other employee included in the aggregate group total as reported in the above is available and will be disclosed to the shareholders of the institution upon request.

In addition to base salary, all Association employees (except the Director of Internal Audit who may earn additional compensation under the Auditor Incentive Plan) may earn additional compensation under a corporate bonus plan (Plan). The Plan is designed to encourage participants to achieve the objectives of the Association by providing incentives to those employees who attain and sustain consistently high levels of performance, which contribute to the overall success and profitability of the Association. The Plan is designed to support the ACA's organizational vision, long-range and annual strategic plans. The Plan consists of three pools; 1) General Pool; 2) Loan Officer Pool; and 3) SAM Officer Pool.

The General Pool covers all employees that are not lenders and/or lending managers. The payout of the pool is based on the Association meeting and exceeding certain objectives for Earnings and Liquidity (weighted at 50%), Asset Quality and Credit Administration (weighted at 25%), and Lending and Growth (weighted at 25%). Payments are calculated at year-end based on the weighted average performance in each category, paid 100 percent in cash. The General Pool contains four different payout levels. Level 1 contains all non-exempt employees (for wage and salary administration purposes) and the maximum award at this level shall not exceed 5% of their annual earned salary. Level 2 contains exempt employees (except CEO, Senior Officers, Director of Internal Audit, and employees identified as "lenders") and the maximum award at this level shall not exceed 12% of their annual earned salary. Level 3 contains Senior Officers (except CEO, Director of Internal Audit, and employees identified as "lenders") and the maximum award at this level shall not exceed 25% of their annual earned salary. Level 4 contains the CEO only and the maximum award at this level shall not exceed 40% of the annual

earned salary. Each of the levels requires a certain minimum individual employee evaluation score. In addition, the General Pool limits the total of all payments within the pool to a maximum of 25 percent of the total net income variance over budget.

The Loan Officer Pool covers lenders and the lending managers and is based upon the individual performance of each. Award percentage points are earned for Portfolio Management (weighted 65%) and Loan Administration (weighted 35%) standards based upon a points scoring matrix with performance areas weighted according to the individual's standard of performance. Deductions to earned awards shall be made for the individual's performance score in the area of Loan Administration (asset quality and delinquencies). Payments at this level are calculated at year-end based on the weighted average performance in each category and also require a certain minimum individual employee evaluation score. The maximum award at this level shall not exceed 50% of their annual earned salary for all employees who have executed a non-disclosure and non-solicitation agreement and 30% of their annual earned salary for all employees who have not executed a non-disclosure and non-solicitation agreement. All payments are paid 100% in cash.

The SAM Officer Pool covers Special Asset Management lenders and the SAM lending managers and is based upon the individual performance of each. Award percentage points are earned for Resolutions on Non-performing Assets (weighted 65%) and Loan Administration (weighted 35%) standards based upon a points scoring matrix with performance areas weighted according to the individual's standard of performance. Deductions to earned awards shall be made for the individual's performance score in the area of Loan Administration. Payments at this level are calculated at year-end based on the weighted average performance in each category and also require a certain minimum individual employee evaluation score. The maximum award at this level shall not exceed 50% of their annual earned salary for all employees who have executed a non-disclosure and non-solicitation agreement and 30% of their annual earned salary for all employees who have not executed a non-disclosure and non-solicitation agreement. All payments are paid 100% in cash.

The Director of Internal Audit may earn additional compensation under the Auditor Incentive Plan. The purpose of the plan is to encourage participants to achieve the long-term objectives of the Association by providing incentives to eligible audit staff that attain and sustain consistently high levels of performance, which contribute to the safety and soundness of the Association. The pay-out of the plan is based on the audit employee's performance rating as determined by their respective employee evaluation which is conducted by the audit committee and reviewed by the board. While the award is based on the employee's performance the final pay-out is made at the discretion of the board of directors.

Payment of the 2015 Corporate Bonus is in the first quarter of 2016. Bonuses are shown in the year earned, which may be different than the year of payment.

The present value of pension benefits is the value at a specific date of the expected future benefit payment stream based on actuarial assumptions, chiefly the discount rate. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values.

The discount rate, which is derived using an AA corporate bond yield curve, is updated every year based on the interest rate environment at December 31. A decrease in the discount rate will normally increase the present values and vice versa. A significant decrease in the discount rate assumption from the prior year caused the pension values to increase at December 31, 2015.

Also at December 31, 2014, the life expectancy actuarial assumption was updated to reflect recent mortality studies indicating longer life spans. This change further increased pension values as the benefit payments are expected to be made for a longer time span.

In addition, the assumptions used for the Cash Balance Plan values were updated to reflect expected payouts in two years in conjunction with the upcoming plan termination. See Note 9, *Employee Benefit Plans*, for further information. The acceleration of expected payments significantly increased the pension values for those individuals in the Cash Balance Plan.

Pension Benefits Table
As of December 31, 2015

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2015
CEO:					
Reginald T. Holt	2015	AgFirst Retirement Plan	35.67	$ 2,474,094	$ –
Reginald T. Holt	2015	Supplemental Executive Retirement Plan	35.67	1,033,880	–
				$ 3,507,974	$ –
Senior Officers and Highly Compensated Employees:					
6 Officers, excluding the CEO	2015	AgFirst Retirement Plan	22.85*	$ 4,261,702	–
				$ 4,261,702	$ –

* *Represents the average years of credited service for the group*

The Association also sponsors a non-qualified defined benefit supplemental executive retirement plan for the Association's former CEO. The purpose of the non-qualified plan is to provide benefits that supplement the qualified defined benefit plan in which the Association's employees participate. For the former CEO, compensation in excess of the 401(a)(17) limit and benefits in excess of the 415(b) limit in the qualified defined benefit plan will be made up through the non-qualified plan. As

a non-qualified plan, assets have been allocated and separately invested for this plan, but are not isolated from the general creditors of the Association. Additionally, all employees are reimbursed for all direct travel expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

On February 4, 2015, the FCA Board approved the final rule, "Disclosure to Shareholders; Pension Benefit Disclosures." The rule amends FCA regulations to exclude employee compensation from being reported in the Summary Compensation Table if the employee would be considered a "highly compensated employee" solely because of payments related to or change(s) in value of the employee's qualified pension plan provided that the plan was available to all similarly situated employees on the same basis at the time the employee joined the plan. System banks and associations were required to comply with the rule for compensation reported in the table for the fiscal year ending 2015, and may implement the rule retroactively for the fiscal years ended 2014 and 2013. The Association applied the rule retroactively to 2013 but this application had no effect on the 2013 amounts as previously reported in the 2013 Annual Report.

Directors

The following chart details the year the director began serving on the board, the current term of expiration, current committee assignments, number of meetings, other activities, compensation for Board meetings and other activities and total cash compensation paid:

		Term in Office		Number of Days Served		Compensation			
Director	Position	Election Year	Current Term Expiration	Board Meetings	Other Official Activities	Regular Board Meetings	Other Activities*	Total Paid During 2015	Committee Assignments^
Robert R. Roberson	Chairman	1997	2016	12	60	$ 6,000	$ 28,800	$ 34,800	Audit, Risk Management, Governance, Legislative
W. Rex Clonts, Jr.	Vice-Chairman	1997	2018	11	29	5,500	16,600	22,100	Risk Management, Governance, Legislative
Jenny R. Black	Director	2015	2018	11	39	5,500	20,300	25,800	Risk Management, Governance, Legislative
C. Dennis Carlton, Sr.	Director	2004	2016	11	35	5,500	19,600	25,100	Compensation, Risk Management, Legislative
Homer E. Hunnicutt, Jr.	Director	1991	2016	11	35	5,500	19,100	24,600	Audit, Risk Management, Legislative
Michelle G. Hurst	Outside Director	2014 **	2016 **	8	20	4,000	13,500	17,500	Audit, Compensation, Legislative
John S. Langford	Director	2005	2018	11	25	5,500	16,300	21,800	Audit, Governance, Legislative
Keith D. Mixon	Director	2012	2017	9	27	4,500	15,200	19,700	Audit, Compensation, Legislative
David J. Stanford	Director	1992	2016 ***	12	30	6,000	17,500	23,500	Compensation, Governance, Legislative
Ronald R. Wetherington	Director	1993	2017	11	37	5,500	19,400	24,900	Audit, Risk Management, Legislative
						$ 53,500	$ 186,300	$ 239,800	

** Includes board committee meetings and other board activities other than regular board meetings.*
*** Appointment date 2014; resignation date effective February 26, 2016*
**** Resignation date effective April 20, 2016*
^ All directors are members of the Legislative committee and meetings are held as needed.

Subject to approval by the board, the Association may allow directors an annual retainer of $4,800 to be paid monthly and honoraria of $500 for attendance at meetings and committee meetings, $300 for special assignments, $400 for telephone conference calls and $200 for travel days that include an overnight stay. Total compensation paid to directors as a group was $239,800 for 2015. No director received more than $5,000 in non-cash compensation during the year.

Directors are reimbursed on an actual cost basis for all expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking of cars, laundry, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to shareholders of the Association upon request. The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $53,918 for 2015, $32,704 for 2014 and $42,104 for 2013.

The following represents certain information regarding the directors of the Association, including their principal occupation and employment for the past five years. Unless specifically listed, the principal occupation of the board member for the past five years has been as a self-employed farmer.

Robert R. Roberson, Chairman, is a nurseryman. His principal occupation and employment for the past 5 years was with Rob-S Holdings LLC dba FFT Nursery. In addition, he has an active real estate license with Mike Ellis Realty. Mr. Roberson also serves as the Association representative on the AgFirst District Advisory Council.

W. Rex Clonts, Jr., Vice-Chairman, is a citrus grower and serves on the board of Citizens Bank of Florida. He is also past President of Seminole County Farm Bureau 2013 - 2015. Mr. Clonts is on the board of the Florida Fruit and Vegetable Association and Florida Citrus Mutual. His principal

occupation and employment for the past 5 years was with Clonts Groves, Inc.

Jenny R. Black was elected to the Board in 2015. Mrs. Black is a partner in multiple citrus growing operations and is a member of Peace River Packing, a citrus growing cooperative. Mrs. Black serves on the Risk Management and Governance Committees for Farm Credit of Central Florida. Mrs. Black has 18 years experience in the Information Technology field and currently manages her own IT consulting practice serving clients in the transportation and agriculture industries.

C. Dennis Carlton, Sr. is a cattleman, citrus grower and real estate broker and serves on the boards of Center State Bank and the Agricultural Economic Development Council of Hillsborough County.

Homer E. Hunnicutt, Jr. is a cattleman and serves on the board of SunTrust Bank – Nature Coast. His principal occupation and employment for the past 5 years was with Finest Farms. Mr. Hunnicutt also serves as the Association's alternate representative on the AgFirst Nominating Committee. Mr. Hunnicutt has announced that he will not be seeking re-election of his board seat at the expiration of his term on April 20, 2016.

Michelle G. Hurst was appointed to the Board in 2014. Mrs. Hurst is a CPA and partner of the firm Bunting, Tripp & Ingley, LLP in Lake Wales, Florida. She is the appointed outside Director for the Association. Mrs. Hurst serves on the board of the local Rotary Chapter. Mrs. Hurst resigned from the board effective February 26, 2016.

John S. Langford is a citrus grower, citrus fruit dealer and real estate broker. He is the designated financial expert for Farm Credit of Central Florida, where he also chairs the Audit Committee. Other Farm Credit activities include the AgFirst Farm Credit Bank Board of Directors, 2012 to present, currently serving as Vice-Chairman, and also serving as a member of the Farm Credit System Audit Committee.

Keith D. Mixon is a citrus grower and serves on the board of the Florida Fruit and Vegetable Association. He and his family owned and operated SunnyRidge Farms prior to being sold to Dole Food Company. He then served as President of SunnyRidge Farms, Inc./Dole Berry Company.

David J. Stanford is a citrus grower and now retired citrus processor and serves on the board of South Lake Apopka Citrus Growers Association (citrus cooperative). Mr. Stanford resigned from the board effective April 20, 2016.

Ronald R. Wetherington is a strawberry and citrus grower and serves on the boards of the Hillsborough County Farm Bureau, Florida FFA Foundation Board and Hillsborough County Law Enforcement Association. His principal occupation and employment for the past 5 years was with Wetherington Farms. Mr. Wetherington serves as the Association's alternate representative on the AgFirst District Advisory Council and serves as the Association representative on the AgFirst Nominating Committee.

Transactions with Senior Officers and Directors

The reporting entity's policies on loans to and transactions with its officers and directors, to be disclosed in this section are incorporated herein by reference to Note 10, *Related Party Transactions*, of the Consolidated Financial Statements included in this Annual Report. There have been no transactions between the Association and senior officers or directors which require reporting per FCA regulations.

Involvement in Certain Legal Proceedings

There were no matters which came to the attention of management or the board of directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Certified Public Accountants

There were no changes in or material disagreements with our independent certified public accountant on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees for services rendered by its independent certified public accountants for the year ended December 31, 2015 were as follows:

	2015
Independent Certified Public Accountants	
PricewaterhouseCoopers LLP	
Audit services	$ 66,833
Total	$ 66,833

PricewaterhouseCoopers audit fees were for the annual audit of and for rendering an opinion on the Association's Consolidated Financial Statements.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 10, 2016 and the report of management, which appear in this Annual Report are incorporated herein by reference.

Copies of the Association's Annual and Quarterly reports are available upon request free of charge by calling 1-800-533-2773 or writing D. Scott Fontenot, Chief Financial Officer, Farm Credit of Central Florida, ACA, P.O. Box 8009, Lakeland, FL 33802 or accessing the web site, ***www.farmcreditcfl.com***. The Association prepares an electronic version of the Annual Report which is available on the Association's web site within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the 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.

Borrower Information Regulations

Since 1972, Farm Credit Administration (FCA) regulations have required that borrower information be held in strict confidence by Farm Credit System (FCS) institutions, their directors, officers and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

On November 10, 1999, the FCA Board adopted a policy that requires FCS institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the Annual Report. The implementation of these measures ensures that new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System institution efforts.

Credit and Services to Young, Beginning, and Small Farmers and Ranchers and Producers or Harvesters of Aquatic Products

Information to be disclosed in this section is incorporated herein by reference to the similarly named section in the Management's Discussion and Analysis of Financial Condition and Results of Operations section included in this Annual Report to the shareholders.

Other Disclosures

Effective January 21, 2015, the Board of Directors approved the amendment of the Association's Bylaws. The amendment was required to comply with certain technical matters set forth in the regulations promulgated by the Farm Credit Administration and did not required shareholder approval. The amendments are to allow for nominations from the floor of the shareholders meeting and were to Article III, Section 340.3 Nomination and Election of Candidates to the Nominating Committee Process; Article III, Section 350.1 Voting, Voting Strength, and Designee for Voting Stock; and Article IV, Section 410.2 Nominations for Stockholder-Elected Directors Made from the Floor and Casting Ballots.

Shareholder Investment

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank'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 by going to AgFirst's web site at ***www.agfirst.com***. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

Report of the Audit Committee

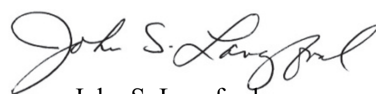
The Audit Committee of the Board of Directors (Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of Farm Credit of Central Florida, ACA and in the opinion of the Board of Directors, each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

The Committee has adopted a written charter that has been approved by the Board of Directors. The Committee has reviewed and discussed the Association's audited financial statements with management, which has primary responsibility for the financial statements.

PricewaterhouseCoopers LLP (PwC), the Association's independent certified public accountants for 2015, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 114 *(The Auditor's Communication With Those Charged With Governance)*. PwC has provided to the Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 *(Independence Discussions with Audit Committees)*, and the Committee has discussed with PwC that firm's independence.

The Committee has also concluded that PwC's provision of non-audit services, if any, to the Association is compatible with PwC's independence.

Based on the considerations referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Association's Annual Report for 2015. The foregoing report is provided by the following independent directors, who constitute the Committee:



John S. Langford
Chairman of the Audit Committee

Members of Audit Committee

Homer E. Hunnicutt, Jr.
Keith D. Mixon
Robert R. Roberson
Ronald R. Wetherington

March 10, 2016

Report of Independent Certified Public Accountants

To the Board of Directors and Members of
Farm Credit of Central Florida, ACA

We have audited the accompanying consolidated financial statements of Farm Credit of Central Florida, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2015, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Certified Public Accountants' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Farm Credit of Central Florida, ACA and its subsidiaries at December 31, 2015, 2014 and 2013 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 10, 2016

PricewaterhouseCoopers LLP, 401 E. Las Olas Blvd, Suite 1800, Fort Lauderdale, FL 33301
T: (954)764-7111, F: (954)525-4453, www.pwc.com/us

Consolidated Balance Sheets

(dollars in thousands)	2015	December 31, 2014	2013
Assets			
Cash	**$ 320**	$ 271	$ 277
Investment securities:			
Held to maturity (fair value of $25,076, $32,439, and $40,417, respectively)	**24,612**	31,756	39,511
Loans	**445,550**	399,417	374,964
Allowance for loan losses	**(6,803)**	(9,237)	(8,095)
Net loans	**438,747**	390,180	366,869
Loans held for sale	**102**	38	245
Accrued interest receivable	**1,640**	1,869	1,665
Investments in other Farm Credit institutions	**6,268**	6,608	7,303
Premises and equipment, net	**733**	790	747
Other property owned	**16**	—	1,108
Accounts receivable	**7,683**	10,632	11,381
Other assets	**3,812**	3,613	3,696
Total assets	**$ 483,933**	$ 445,757	$ 432,802
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 379,668**	$ 344,844	$ 337,140
Accrued interest payable	**703**	581	574
Patronage refunds payable	**4,197**	3,297	3,539
Accounts payable	**1,379**	1,409	1,508
Other liabilities	**5,438**	7,122	5,624
Total liabilities	**391,385**	357,253	348,385
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**858**	860	902
Retained earnings			
Allocated	**28,505**	30,740	34,167
Unallocated	**63,673**	57,369	49,767
Accumulated other comprehensive income (loss)	**(488)**	(465)	(419)
Total members' equity	**92,548**	88,504	84,417
Total liabilities and members' equity	**$ 483,933**	$ 445,757	$ 432,802

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

Consolidated Statements of Income

(dollars in thousands)	For the year ended December 31, 2015	2014	2013
Interest Income			
Loans	**$ 17,466**	$ 17,088	$ 16,327
Investments	**537**	689	857
Total interest income	**18,003**	17,777	17,184
Interest Expense			
Notes payable to AgFirst Farm Credit Bank	**7,049**	6,393	6,374
Net interest income	**10,954**	11,384	10,810
Provision for (reversal of allowance for) loan losses	**(1,983)**	1,340	(747)
Net interest income after provision for (reversal of allowance for) loan losses	**12,937**	10,044	11,557
Noninterest Income			
Loan fees	**439**	427	593
Fees for financially related services	**238**	131	116
Patronage refunds from other Farm Credit institutions	**7,076**	9,945	10,710
Gains (losses) on sales of rural home loans, net	**207**	123	145
Gains (losses) on other transactions	**(2)**	14	15
Other noninterest income	**50**	43	56
Total noninterest income	**8,008**	10,683	11,635
Noninterest Expense			
Salaries and employee benefits	**7,452**	7,378	6,911
Occupancy and equipment	**648**	622	650
Insurance Fund premiums	**405**	349	290
(Gains) losses on other property owned, net	**5**	(428)	250
Other operating expenses	**2,131**	2,001	1,723
Total noninterest expense	**10,641**	9,922	9,824
Income before income taxes	**10,304**	10,805	13,368
Provision for income taxes	**—**	3	2
Net income	**$ 10,304**	$ 10,802	$ 13,366

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31, 2015	2014	2013
Net income	**$ 10,304**	$ 10,802	$ 13,366
Other comprehensive income net of tax			
Employee benefit plans adjustments	**(23)**	(46)	(401)
Comprehensive income	**$ 10,281**	$ 10,756	$ 12,965

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

Consolidated Statements of Changes in Members' Equity

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2012	$ 1	$ 952	$ 34,202	$ 39,813	$ (18)	$ 74,950
Comprehensive income				13,366	(401)	12,965
Protected borrower stock issued/(retired), net	(1)					(1)
Capital stock/participation certificates issued/(retired), net		(50)				(50)
Patronage distribution						
Cash				(3,500)		(3,500)
Patronage distribution adjustment			(35)	88		53
Balance at December 31, 2013	$ —	$ 902	$ 34,167	$ 49,767	$ (419)	$ 84,417
Comprehensive income				10,802	(46)	10,756
Capital stock/participation certificates issued/(retired), net		(42)				(42)
Patronage distribution						
Cash				(3,200)		(3,200)
Retained earnings retired			(3,427)			(3,427)
Balance at December 31, 2014	$ —	$ 860	$ 30,740	$ 57,369	$ (465)	$ 88,504
Comprehensive income				**10,304**	**(23)**	**10,281**
Capital stock/participation certificates issued/(retired), net		**(2)**				**(2)**
Patronage distribution						
Cash				**(4,000)**		**(4,000)**
Retained earnings retired			**(2,235)**			**(2,235)**
Balance at December 31, 2015	**$ —**	**$ 858**	**$ 28,505**	**$ 63,673**	**$ (488)**	**$ 92,548**

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31, 2015	2014	2013
Cash flows from operating activities:			
Net income	**$ 10,304**	$ 10,802	$ 13,366
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**145**	152	136
Amortization (accretion) of net deferred loan costs (fees)	**107**	115	59
Premium amortization (discount accretion) on investments	**460**	571	681
Provision for (reversal of allowance for) loan losses	**(1,983)**	1,340	(747)
(Gains) losses on other property owned	**—**	(315)	429
(Gains) losses on sales of rural home loans, net	**(207)**	(123)	(145)
(Gains) losses on other transactions	**2**	(14)	(15)
Changes in operating assets and liabilities:			
Origination of loans held for sale	**(9,828)**	(5,474)	(6,491)
Proceeds from sales of loans held for sale, net	**9,971**	5,804	6,391
(Increase) decrease in accrued interest receivable	**229**	(204)	332
(Increase) decrease in accounts receivable	**2,949**	749	(5,690)
(Increase) decrease in other assets	**(199)**	83	(115)
Increase (decrease) in accrued interest payable	**122**	7	19
Increase (decrease) in accounts payable	**(30)**	(99)	752
Increase (decrease) in other liabilities	**(1,709)**	1,466	1,491
Total adjustments	**29**	4,058	(2,913)
Net cash provided by (used in) operating activities	**10,333**	14,860	10,453
Cash flows from investing activities:			
Proceeds from maturities of or principal payments received on investment securities, held to maturity	**6,684**	7,184	7,708
Net (increase) decrease in loans	**(46,707)**	(25,187)	(22,782)
(Increase) decrease in investment in other Farm Credit institutions	**340**	695	1,529
Purchases of premises and equipment	**(88)**	(195)	(206)
Proceeds from sales of other property owned	**—**	1,844	1,534
Net cash provided by (used in) investing activities	**(39,771)**	(15,659)	(12,217)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**34,824**	7,704	3,495
Protected borrower stock retired	**—**	—	(1)
Capital stock and participation certificates issued/(retired), net	**(2)**	(42)	(50)
Patronage refunds and dividends paid	**(3,100)**	(3,442)	(1,459)
Retained earnings retired	**(2,235)**	(3,427)	—
Net cash provided by (used in) financing activities	**29,487**	793	1,985
Net increase (decrease) in cash	**49**	(6)	221
Cash, beginning of period	**271**	277	56
Cash, end of period	**$ 320**	$ 271	$ 277
Supplemental schedule of non-cash activities:			
Financed sales of other property owned	**$ —**	$ 70	$ —
Receipt of property in settlement of loans	**16**	491	1,312
Estimated cash dividends or patronage distributions declared or payable	**4,000**	3,200	3,500
Employee benefit plans adjustments (Note 9)	**23**	46	401
Supplemental information:			
Interest paid	**$ 6,928**	$ 6,386	$ 6,355
Taxes (refunded) paid, net	**—**	5	—

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

A. **Organization:** Farm Credit of Central Florida, ACA (the Association or ACA) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the counties of Brevard, Citrus, Hernando, Hillsborough, Lake, Orange, Osceola, Pasco, Pinellas, Polk, Seminole, Sumter, and Volusia in the state of Florida.

The Association is a lending institution in the Farm Credit System (System), a nationwide network of cooperatively owned banks and associations. It was established by Acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

The nation is served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB), (collectively, the System Banks) each of which has specific lending authorities within its chartered territory. The ACB also has additional specific nationwide lending authorities.

Each System Bank serves one or more Agricultural Credit Associations (ACAs) that originate long-term, short-term and intermediate-term loans, Production Credit Associations (PCAs) that originate and service short- and intermediate-term loans, and/or Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans. These associations borrow a majority of the funds for their lending activities from their related bank. System Banks are also responsible for supervising the activities of associations within their districts. AgFirst and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District. The District Associations jointly own substantially all of AgFirst's voting stock. As of year end, the District consisted of the Bank and nineteen District Associations. All nineteen were structured as ACA holding companies, with PCA and FLCA subsidiaries. FLCAs are tax-exempt while ACAs and PCAs are taxable.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and the supervising bank.

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

B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity and financial services that can be offered by the Association, and the persons eligible to borrow.

The Associations borrow from the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as, long-term real estate mortgage loans.

The Bank primarily lends to the District Associations in the form of a line of credit to fund the Associations' earning assets. These lines of credit (or Direct Notes) are collateralized by a pledge of substantially all of each Association's assets. The terms of the Direct Notes are governed by a General Financing Agreement (GFA) between the Bank and Association. Each advance is structured such that the principal cash flow, repricing characteristics, and underlying index (if any) of the advance match those of the assets being funded. By match-funding the Association loans, the Associations' exposure to interest rate risk is minimized.

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as: accounting, human resources, information systems, and marketing. The costs of these support services are included in the cost of the Direct Note, or in some cases billed directly to certain Associations that use a specific service.

The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or

harvesters of aquatic products, rural residents, and farm-related businesses.

The Association may sell to any System borrowing member, on an optional basis, credit or term life insurance appropriate to protect the loan commitment in the event of death of the debtor(s). The sale of other insurance necessary to protect a member's farm or aquatic unit is permitted, but limited to hail and multi-peril crop insurance, and insurance necessary to protect the facilities and equipment of aquatic borrowers.

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

The accompanying consolidated financial statements include the accounts of the ACA, PCA and FLCA.

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

A. **Cash:** Cash represents cash on hand and on deposit at banks.

B. **Loans and Allowance for Loan Losses:** The Association is authorized to make long-term real estate loans with maturities of 5 to 40 years and certain short- and intermediate-term loans for agricultural production or operating purposes with maturities of not more than 10 years.

Loans are carried at their principal amount outstanding adjusted for charge-offs, premiums, discounts, deferred loan fees or costs, and derivative instruments and hedging valuation adjustments, if any. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The difference in the total investment in a loan and its principal amount may be deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

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

Loans are generally classified as nonaccrual when principal or interest is delinquent for 90 days (unless adequately collateralized and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in the prior year).

When loans are in nonaccrual status, the interest portion of payments received in cash is recognized as interest income if collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it. Otherwise, loan payments are applied against the recorded investment in the loan. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected and the loan is not classified "doubtful" or "loss."

Loans are charged off, wholly or partially, as appropriate, at the time they are determined to be uncollectible.

In cases where a borrower experiences financial difficulties and the Association makes certain concessions to the borrower such as a modification to the contractual terms of the loan, the loan is classified as a restructured loan. A restructured loan constitutes a troubled debt restructuring if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

The allowance for loan losses is maintained 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. The allowance for loan losses is a valuation account used to reasonably estimate loan losses as of the financial statement date. Determining the appropriate allowance for loan losses balance involves significant judgment about when a loss has been incurred and the amount of that loss.

The Association considers the following factors, among others, when determining the allowance for loan losses:

- Credit risk classifications,
- Collateral values,
- Risk concentrations,
- Weather related conditions,

- Current production and economic conditions, and
- Prior loan loss experience.

A specific allowance may be established for impaired loans under Financial Accounting Standards Board (FASB) guidance on accounting by creditors for impairment of a loan. Impairment of these loans is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or fair value of the collateral if the loan is collateral dependent.

A general allowance may also be established under FASB guidance on accounting for contingencies, to reflect estimated probable credit losses incurred in the remainder of the loan portfolio at the financial statement date, which excludes loans included under the specific allowance discussed above. A general allowance can be evaluated on a pool basis for those loans with similar characteristics. The level of the general allowance may be based on management's best estimate of the likelihood of default adjusted for other relevant factors reflecting the current environment.

The credit risk rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The Association uses a two-dimensional loan rating model based on internally generated combined system risk rating guidance that incorporates a 14-point risk rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

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

C. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans originated and intended for sale are carried at the lower of cost or fair value. Generally, only home loans that are to be sold on the secondary mortgage market through various lenders are held for sale.

D. **Other Property Owned:** Other property owned, consisting of real estate, personal property and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) from Other Property Owned, Net in the Consolidated Statements of Income.

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

   From time to time, assets classified as premises and equipment are transferred to held for sale for various reasons. These assets are carried in Other Assets at the lower of the recorded investment in the asset or fair value less estimated cost to sell based upon the property's appraised value at the date of transfer. Any write-downs of property held for sale are recorded as other non-interest expense.

F. **Investments:** The Association may hold investments as described below.

   Investment Securities
   The Association holds certain investment securities, as permitted under the FCA regulations. These investments are classified based on management's intention on the date of purchase and are generally recorded in the Balance Sheets as securities on the trade date.

   Securities for which the Association has the intent and ability to hold to maturity are classified as held-to-maturity (HTM) and carried at amortized cost. Investment securities classified as available-for-sale (AFS) are carried at fair value with net unrealized gains and losses included as a component of Other Comprehensive Income (OCI). Purchase premiums and discounts are amortized or accreted ratably over the term of the respective security using the interest method.

   The Association reviews all investments that are in a loss position in order to determine whether the unrealized loss, which is considered an impairment, is temporary or other-than-temporary. As mentioned above, changes in the fair value of AFS investments are reflected in OCI, unless the investment is deemed to be other-than-temporarily impaired (OTTI). Impairment is considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is

referred to as a "credit loss"). If the Association intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other-than-temporary and recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but the Association does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is charged to current earnings, with the remainder of the loss amount recognized in OCI.

In subsequent periods, if the present value of cash flows expected to be collected is less than the amortized cost basis, the Association will record additional OTTI and adjust the yield of the security prospectively. The amount of total OTTI for an AFS security that previously was impaired is determined as the difference between its carrying amount prior to the determination of OTTI and its fair value.

Interest on investment securities, including amortization of premiums and accretion of discounts, is included in Interest Income. Realized gains and losses from the sales of investment securities are recognized in current earnings using the specific identification method.

Other Investments
As discussed in Note 8, certain investments, consisting primarily of mutual funds, are held in trust accounts and are reported at fair value. Holding period gains and losses are included within other noninterest income on the Consolidated Statements of Comprehensive Income and the balance of these investments, totaling $326, is included in Other Assets on the accompanying Consolidated Balance Sheet as of December 31, 2015.

Investment in Other Farm Credit Institutions
The Association is required to maintain ownership in the Bank in the form of Class B and Class C stock, as presented on the consolidated Balance Sheet as Investments in Other Farm Credit Institutions. Accounting for this investment is on the cost plus allocated equities basis.

G. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as other liabilities in the accompanying Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.

H. **Employee Benefit Plans:** The Association participates in District and multi-District sponsored benefit plans. These plans include a defined benefit final average pay retirement plan, a defined benefit cash balance retirement plan, a defined benefit other postretirement benefits plan, and a defined contribution 401(k) plan.

Multi-Employer Defined Benefit Plans
Substantially all employees hired before November 4, 2014 may participate in either the AgFirst Farm Credit Retirement Plan or the AgFirst Farm Credit Cash Balance Retirement Plan (collectively referred to as the "Plans"), which are defined benefit plans and considered multi-employer under FASB accounting guidance. The Plans are noncontributory and include eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes. The actuarially-determined costs of the Plans are allocated to each participating entity by multiplying the Plans' net pension expense by each institution's eligible service cost and accumulated benefit obligation as a percentage of the total eligible service cost and total accumulated benefit obligation for all Plan participants. The cumulative excess of amounts funded by the Association over the cost allocated to the Association is reflected as prepaid retirement expense, a component of Other Assets in the Association's Consolidated Balance Sheets.

In addition to pension benefits, the Association provides certain health care and life insurance benefits for retired employees (other postretirement benefits) through a multi-District sponsored retiree healthcare plan. Substantially all employees are eligible for those benefits when they reach early retirement age while working for the Association. Certain charges related to this plan are an allocation of District charges based on the Association's proportional share of the plan liability. Authoritative accounting guidance requires the accrual of the expected cost of providing these benefits to an employee, their beneficiaries and covered dependents during the years the employee renders service necessary to become eligible for benefits. The cumulative excess of cost allocated to the Association over the amounts funded by the Association is reflected as postretirement benefits other than pensions, a component of Other Liabilities in the Association's Consolidated Balance Sheets.

Since the foregoing plans are multi-employer, the Association does not apply the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. Rather, the effects of this guidance are reflected in the Combined Financial Statements of AgFirst Farm Credit Bank and District Associations.

Additional information for the above may be found in Note 9 and the Notes to the Combined Financial Statements of AgFirst Farm Credit Bank and District Associations' Annual Report.

Single Employer Defined Benefit Plans
The Association also sponsors a single employer defined benefit supplemental retirement plan and offers a FCBA supplemental 401(k) plan for certain key employees. These plans are nonqualified; therefore, the associated

liabilities are included in the Association's Consolidated Balance Sheets in Other Liabilities.

The foregoing defined benefit plan is considered single employer, therefore the Association applies the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. See Note 9 for additional information.

Defined Contribution Plans
Substantially all employees are eligible to participate in the defined contribution Farm Credit Benefit Alliance (FCBA) 401(k) Plan, subsequently referred to as the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. Company contributions to the 401(k) Plan are expensed as funded.

Additional information for the above may be found in Note 9 and the Notes to the Combined Financial Statements of AgFirst Farm Credit Bank and District Associations' Annual Report.

I. **Income Taxes:** The Association evaluates tax positions taken in previous and current years according to FASB guidance. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. The term tax position also encompasses, but is not limited to, an entity's status, including its status as a pass-through entity or tax-exempt entity.

The Association is generally subject to Federal and certain other income taxes. As previously described, the ACA holding company has two wholly-owned subsidiaries, a PCA and a FLCA. The FLCA subsidiary is exempt from federal and state income taxes as provided in the Farm Credit Act. The ACA holding company and the PCA subsidiary are subject to federal, state, and certain other income taxes.

The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock, or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income.

The Association accounts for income taxes under the asset and liability method, recognizing deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled.

The Association records a valuation allowance at the balance sheet dates against that portion of the Association's deferred tax assets that, based on management's best estimates of future events and circumstances, more likely than not (a likelihood of more than 50 percent) will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of our expected patronage program, which reduces taxable earnings.

J. **Due from AgFirst Farm Credit Bank:** The Association records patronage refunds from the Bank and certain District associations on an accrual basis.

K. **Valuation Methodologies:** FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. This guidance also 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. It prescribes three levels of inputs that may be used to measure fair value which are discussed in Note 8.

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

Level 2 inputs to the valuation methodology 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 to the valuation methodology 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 a third-party valuation or internal model pricing.

The Association may use the Bank, internal resources or third parties to obtain fair value prices. Quoted market prices are generally used when estimating fair values of any assets or liabilities for which observable, active markets exist.

A number of methodologies may be employed to value items for which an observable active market does not exist. Examples of these items include: impaired loans, other property owned, and certain derivatives, investment securities and other financial instruments. Inputs to these valuations can involve estimates and assumptions that require a substantial degree of judgment. Some of the assumptions used include, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could

have material positive or negative effects on results of operations.

L. **Off-Balance-Sheet Credit Exposures:** The credit risk associated with commitments to extend credit and letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee.

Letters of credit are commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party.

M. **Accounting Standards Updates (ASUs):** In February, 2016, the FASB issued ASU 2016-02 Leases (Topic 842). The Update is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. The ASU will require organizations that lease assets—referred to as "lessees"—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. A lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, the new ASU will require both types of leases to be recognized on the balance sheet. The Update also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The accounting by organizations that own the assets leased by the lessee—also known as lessor accounting—will remain largely unchanged from current guidance. However, the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in 2014. The amendments are effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other organizations, the ASU on leases will take effect for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application will be permitted for all organizations. The Association is in the process of evaluating what effects the guidance may have on the statements of financial condition and results of operations.

In January, 2016, the FASB issued Accounting Standards Update (ASU) 2016-01 Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments are intended to improve the recognition and measurement of financial instruments. The Update affects public and private companies, not-for-profit organizations, and employee benefit plans that hold financial assets or owe financial liabilities. The new guidance makes targeted improvements to existing GAAP by requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements, eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities, eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The ASU is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Association is in the process of evaluating what effects the guidance may have on the statements of financial condition and results of operations.

In September, 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that

occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations.

In August, 2015, the FASB issued ASU 2015-15 Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. The update adds Securities and Exchange Commission (SEC) paragraphs pursuant to the SEC Staff Announcement at the June 18, 2015 Emerging Issues Task Force (EITF) meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements.

In August, 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The Update defers by one year the effective date of ASU 2014-09, Revenue from Contracts with Customers. The ASU reflects decisions reached by the FASB at its meeting on July 9, 2015.

In June, 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements (numerous Topics). The amendments in the Update represent changes to make minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments were effective upon the issuance of the Update.

In May, 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Topic 820 permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. To address diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized, the amendments in this Update remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. The Update is to be applied retrospectively to all periods presented. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations, but may require modifications to footnote disclosures.

In April, 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. To simplify presentation of debt issuance costs, the amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to the Update, debt issuance costs were required to be presented in the balance sheet as a deferred charge (asset). The recognition and measurement guidance for debt issuance costs are not affected by the amendments. For public business entities, these amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted for financial statements that have not been previously issued. The Association elected early adoption of this ASU. The required reclassifications from Other Assets to Systemwide Bonds Payable for the three years presented did not result in significant changes in the statements of financial condition or results of operations.

In February, 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminate the presumption that a general partner should consolidate a limited partnership, affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations.

In January, 2015, the FASB issued ASU 2015-01, Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. The Update eliminates the concept of extraordinary items. Currently, if an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity also is required to disclose applicable

income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item. The presentation and disclosure guidance for items that are unusual in nature or occur infrequently is being retained and will be expanded to include items that are both unusual in nature and infrequently occurring. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively or retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Association elected early adoption of this ASU. Retrospective application of the guidance did not result in any changes to the statements of financial condition or results of operations for the three years presented.

In November, 2014, the FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity. Under GAAP, features such as conversion rights, redemption rights, dividend payment preferences, and others that are included in instruments issued in the form of shares may qualify as derivatives. If so, the shares issued are considered hybrid financial instruments. To determine the proper accounting for hybrid financial instruments, investors and issuers in the instruments must determine whether the nature of the host contract containing the feature is more akin to debt or equity as well as whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to the host contract. The purpose of the Update is to eliminate diversity in accounting for hybrid financial instruments by both issuers and investors. When evaluating the host contract to determine whether it is more akin to debt or equity, the reporting entity should consider all relevant terms and features of the contract, including the embedded derivative feature that is being evaluated for separation. The amendments in this Update are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption, including adoption in an interim period, is permitted. Application of this guidance is not expected to have a material impact on the Association's financial condition or results of operations.

In August, 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The Update is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Under GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. Financial reporting under this presumption is commonly referred to as the going concern basis of accounting. The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities. Currently, GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. The Update provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments in this Update apply to all companies and not-for-profit organizations and become effective in the annual period ending after December 15, 2016, with early application permitted. It is expected that adoption will not have a material impact on the Association's financial condition or results of operations.

In August, 2014, the FASB issued ASU 2014-14, Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure. There was diversity in practice related to how creditors classify government-guaranteed mortgage loans, including FHA or VA guaranteed loans, upon foreclosure. The amendments require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: 1. The loan has a government guarantee that is not separable from the loan before foreclosure; 2. At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; 3. At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendments in this Update were effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Adoption did not have a material impact on the Association's financial condition or results of operations.

In June, 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures, which changed the accounting for repurchase-to-maturity transactions and repurchase financing arrangements. It also required enhanced disclosures about repurchase agreements and other similar transactions. The new guidance aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements such that, these transactions would all be accounted for as secured borrowings. The accounting changes in this Update were effective for public companies for the first interim or annual period beginning after December 15, 2014. In addition, for public companies, the disclosure for certain transactions accounted for as a sale was effective for the first interim or annual period beginning on or after December 15, 2014, and the disclosure for transactions accounted for as secured borrowings was required to be presented for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. Earlier application for a public company was prohibited.

The adoption did not have a material impact on the Association's financial condition or results of operations.

In May 2014, the FASB, responsible for U.S. Generally Accepted Accounting Principles (U.S. GAAP), and the International Accounting Standards Board (IASB), responsible for International Financial Reporting Standards (IFRS), jointly issued converged standards on the recognition of revenue from contracts with customers. ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and IFRS 15 "Revenue from Contracts with Customers" are intended to improve the financial reporting of revenue and comparability of the top line in financial statements globally and supersede substantially all previous revenue recognition guidance. The core principle of the new standards is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Because of the pervasive nature of the new guidance, the boards have established a joint transition resource group in order to aid transition to the new standard. For public entities reporting under U.S. GAAP, the amendments in the Update are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The amendments are to be applied retrospectively. The Association has identified ancillary revenues that will be affected by this Update. However, because financial instruments are not within the scope of the guidance, it is expected that adoption will not have a material impact on the Association's financial condition or results of operations, but may result in additional disclosures.

In April, 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this Update change the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. Public business entities should apply the amendments prospectively to both of the following: 1. All disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years, 2. All business activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Adoption of this guidance did not have a material impact on the Association's financial condition or results of operations.

In March 2014, the FASB issued ASU 2014-06, Technical Corrections and Improvements Related to Glossary Terms (Master Glossary). The amendments in this Update relate to glossary terms, cover a wide range of Topics in the Codification and were presented in four sections: Deletion of Master Glossary Terms, Addition of Master Glossary Term Links, Duplicate Master Glossary Terms, and Other Technical Corrections Related to Glossary Terms. These amendments did not have transition guidance and were effective upon issuance for both public entities and nonpublic entities.

In January 2014, the FASB issued ASU 2014-04, Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The objective of the amendments in this Update was to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments were effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Entities may elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. This guidance was adopted prospectively and did not have a material impact on the Association's financial condition or results of operations, but resulted in additional disclosures (see Note 3, *Loans and Allowance for Loan Losses*).

Note 3 — Loans and Allowance for Loan Losses

Prior to issuance of this 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. Upon further examination, management determined that the errors in loan category designation occurred as the controls designed around verification of loan data input did not adequately consider verification of this data field.

Management has evaluated the impact of these errors on the loan footnote disclosures, presented herein, and has concluded that these errors did not, individually or in the aggregate, result in a material misstatement of the Association's previously issued consolidated financial statements. Additionally, because these errors did not result in any out-of-period adjustment, there is no cumulative effect to be reflected in the 2015 financial statements. However, management concluded that a revision of FCA loan type information within the loan footnote for all years presented in the 2015 Annual Report is appropriate. As such, the revisions for these corrections are reflected in the financial information of the applicable prior periods and will be reflected in future issuances containing such financial information. These corrections of loan type information had no impact on the Association's financial

position, results of operations, or regulatory capital ratios and resulted in no changes to the Balance Sheets, Statements of Income, Statements of Comprehensive Income, Statements of Changes in Shareholders' Equity, or Statements of Cash Flows for December 31, 2015 or as previously reported for December 31, 2014 and 2013. The revisions affected certain line items in the tabular disclosures within this footnote, but did not affect total participations, loan loss allowances or related provisions, impaired loans, nonperforming assets, charge-offs and recoveries, troubled debt restructurings, maturity, credit quality or aging presented herein.

The following tables present the effect of these revisions of the disclosure of the summary of loans outstanding, by FCA loan type, as of December 31, 2014 and 2013. All of the tabular disclosures included in this footnote were impacted by these errors and have also been revised to reflect these new loan classifications as adjusted.

	December 31, 2014		
(dollars in thousands)	As Previously Reported	Adjustment	As Revised
Real estate mortgage	$ 166,190	$ 41,850	$ 208,040
Production and intermediate-term	163,254	(27,498)	135,756
Loans to cooperatives	6,843	(6,843)	–
Processing and marketing	33,077	4,049	37,126
Farm-related business	11,897	(6,847)	5,050
Communication	3,603		3,603
Energy and water/waste disposal	1,909	–	1,909
Rural residential real estate	12,644	(4,711)	7,933
Total Loans	$ 399,417	$ –	$ 399,417

	December 31, 2013		
(dollars in thousands)	As Previously Reported	Adjustment	As Revised
Real estate mortgage	$ 153,346	$ 41,107	$ 194,453
Production and intermediate-term	160,984	(26,443)	134,541
Loans to cooperatives	8,020	(8,020)	–
Processing and marketing	26,174	3,599	29,773
Farm-related business	9,169	(4,074)	5,095
Communication	734	–	734
Energy and water/waste disposal	2,204	–	2,204
Rural residential real estate	14,333	(6,169)	8,164
Total Loans	$ 374,964	$ –	$ 374,964

For a description of the Association's accounting for loans, including impaired loans, and the allowance for loan losses, see Note 2 subsection B above.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation which exists in outstanding loans. 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.

The credit risk management process begins with an analysis of the obligor's credit history, repayment capacity and financial position. Repayment capacity focuses on the obligor's ability to repay the obligation based on cash flows from operations or other sources of income, including non-farm income. Real estate mortgage loans must be secured by first liens on the real estate collateral. As required by FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures.

The credit risk rating process for loans uses a two-dimensional structure, incorporating a 14-point probability of default scale (see further discussion in Note 2 subsection B above) and a separate scale addressing estimated percentage loss in the event of default. The loan rating structure incorporates borrower risk and transaction risk. Borrower risk is the risk of loss driven by factors intrinsic to the borrower. The transaction risk or facility risk is related to the structure of a credit (tenor, terms, and collateral).

The Association's loan portfolio, which includes purchased interests in loans, has been segmented by the following loan types as defined by the FCA:

- Real estate mortgage loans — generally to purchase farm real estate, refinance existing mortgages, construct various facilities used in agricultural operations, or purchase other rural residential/lifestyle real estate for both full-time and part-time farmers. In addition, credit for other agricultural purposes and family needs is available to full-time and part-time farmers. Real estate mortgage loans generally have maturities ranging from five to thirty years and must be secured by first liens on the real estate. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.

- Production and intermediate-term loans — for operating funds, equipment and other purposes. Eligible financing needs include operating inputs (such as labor, feed, fertilizer, and repairs), livestock, family living expenses, income taxes, debt payments on machinery or equipment, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically less than 12 months. Intermediate-term loans typically finance depreciable capital assets of a farm or ranch. Examples of the uses of intermediate-term loans are to purchase or refinance farm machinery, vehicles, equipment, breeding livestock, or farm buildings, to make improvements, or to provide working capital. Intermediate-term loans are made for a specific term, generally 10 years or less. These loans may be made on a secured or unsecured basis, but are normally secured.

- Loans to cooperatives — loans for any cooperative purpose other than for communication, energy, and water and waste disposal.

- Processing and marketing loans — for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.

- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.

- Rural residential real estate loans — to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans must be secured by a first lien on the property, except that it may be secured by a second lien if the institution also holds the first lien on the property.

- Communication loans — primarily to finance rural communication companies.

- Energy loans — primarily to finance electric generation, transmission and distribution systems serving rural areas.

- Water and waste disposal loans — primarily to finance water and waste disposal systems serving rural areas.

- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.

- Lease receivables — the net investment for all finance leases (such as direct financing leases, leveraged leases, and sales-type leases) where the Association is the lessor.

- Other (including Mission Related) — In addition to making loans to accomplish the System's Congressionally mandated mission to finance agriculture and rural America, the Association may make investments in rural America to address the diverse needs of agriculture and rural communities across the country. The FCA approves these investments on a program or a case-by-case basis. Examples of investment programs that the FCA will consider include partnerships with agricultural and rural community lenders, investments in rural economic development and infrastructure, and investments in obligations and mortgage securities that increase the availability of affordable housing in rural America.

A summary of loans outstanding at period end follows:

	December 31,		
	2015	2014 (as revised)	2013 (as revised)
Real estate mortgage	$ 224,160	$ 208,040	$ 194,453
Production and intermediate-term	144,445	135,756	134,541
Loans to cooperatives	–	–	–
Processing and marketing	56,409	37,126	29,773
Farm-related business	8,614	5,050	5,095
Communication	5,188	3,603	734
Energy and water/waste disposal	–	1,909	2,204
Rural residential real estate	6,734	7,933	8,164
Total Loans	$ 445,550	$ 399,417	$ 374,964

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

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

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. The following tables present the principal balance of participation loans at periods ended:

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	$ 1,099	$ 121,973	$ –	$ 9,432	$ –	$ –	$ 1,099	$ 131,405
Production and intermediate-term	18,586	93,594	343	–	–	–	18,929	93,594
Loans to cooperatives	–	–	–	–	–	–	–	–
Processing and marketing	48,634	11,457	–	–	–	–	48,634	11,457
Farm-related business	2,441	3,467	–	–	–	–	2,441	3,467
Communication	5,202	–	–	–	–	–	5,202	–
Total	$ 75,962	$ 230,491	$ 343	$ 9,432	$ –	$ –	$ 76,305	$ 239,923

December 31, 2014 (as revised)	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	$ 170	$ 119,642	$ –	$ 7,432	$ –	$ –	$ 170	$ 127,074
Production and intermediate-term	14,264	87,792	–	–	–	–	14,264	87,792
Loans to cooperatives	–	–	–	–	–	–	–	–
Processing and marketing	29,415	15,590	–	–	–	–	29,415	15,590
Farm-related business	–	4,292	–	–	–	–	–	4,292
Communication	3,609	–	–	–	–	–	3,609	–
Energy and water/waste disposal	1,909	–	–	–	–	–	1,909	–
Total	$ 49,367	$ 227,316	$ –	$ 7,432	$ –	$ –	$ 49,367	$ 234,748

December 31, 2013 (as revised)	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	$ –	$ 139,943	$ –	$ –	$ –	$ –	$ –	$ 139,943
Production and intermediate-term	8,441	94,300	–	–	–	–	8,441	94,300
Loans to cooperatives	–	–	–	–	–	–	–	–
Processing and marketing	19,573	47,459	–	–	–	–	19,573	47,459
Farm-related business	–	5,461	–	–	–	–	–	5,461
Communication	734	–	–	–	–	–	734	–
Energy and water/waste disposal	2,204	–	–	–	–	–	2,204	–
Total	$ 30,952	$ 287,163	$ –	$ –	$ –	$ –	$ 30,952	$ 287,163

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:

December 31, 2015	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 5,100	$ 63,898	$ 155,162	$ 224,160
Production and intermediate-term	39,418	78,145	26,882	144,445
Processing and marketing	1,395	29,120	25,894	56,409
Farm-related business	124	2,104	6,386	8,614
Communication	–	5,188	–	5,188
Rural residential real estate	669	2,045	4,020	6,734
Total Loans	$ 46,706	$ 180,500	$ 218,344	$ 445,550
Percentage	10.48%	40.51%	49.01%	100.00%

The recorded investment in a 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.

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

	December 31, 2015	2014 (as revised)	2013 (as revised)
Real estate mortgage:			
Acceptable	92.91%	85.83%	83.25%
OAEM	1.01	6.60	4.94
Substandard/doubtful/loss	6.08	7.57	11.81
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	87.50%	84.39%	77.40%
OAEM	1.89	7.99	9.86
Substandard/doubtful/loss	10.61	7.62	12.74
	100.00%	100.00%	100.00%
Loans to cooperatives:			
Acceptable	–%	–%	–%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	–%	–%	–%
Processing and marketing:			
Acceptable	100.00%	93.52%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	6.48	–
	100.00%	100.00%	100.00%

	December 31, 2015	2014 (as revised)	2013 (as revised)
Farm-related business:			
Acceptable	100.00%	92.22%	73.20%
OAEM	–	7.78	26.80
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Communication:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Energy and water/waste disposal:			
Acceptable	–%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	–%	100.00%	100.00%
Rural residential real estate:			
Acceptable	82.28%	74.12%	74.66%
OAEM	8.05	7.63	7.10
Substandard/doubtful/loss	9.67	18.25	18.24
	100.00%	100.00%	100.00%
Total Loans:			
Acceptable	92.11%	86.10%	82.28%
OAEM	1.25	6.40	6.62
Substandard/doubtful/loss	6.64	7.50	11.10
	100.00%	100.00%	100.00%

The following tables provide an age analysis of past due loans and related accrued interest as of:

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	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 561	$ 1,270	$ 1,831	$ 223,243	$ 225,074	$ –
Production and intermediate-term	840	894	1,734	143,134	144,868	–
Processing and marketing	–	–	–	56,494	56,494	–
Farm-related business	–	–	–	8,661	8,661	–
Communication	–	–	–	5,188	5,188	–
Rural residential real estate	148	237	385	6,372	6,757	–
Total	$ 1,549	$ 2,401	$ 3,950	$ 443,092	$ 447,042	$ –

December 31, 2014 (as revised)	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	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 208	$ 2,260	$ 2,468	$ 206,638	$ 209,106	$ –
Production and intermediate-term	–	1,171	1,171	135,087	136,258	–
Processing and marketing	–	–	–	37,189	37,189	–
Farm-related business	–	–	–	5,070	5,070	–
Communication	–	–	–	3,603	3,603	–
Energy and water/waste disposal	–	–	–	1,909	1,909	–
Rural residential real estate	65	150	215	7,746	7,961	–
Total	$ 273	$ 3,581	$ 3,854	$ 397,242	$ 401,096	$ –

	December 31, 2013 (as revised)					
	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	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,158	$ 4,013	$ 5,171	$ 190,147	$ 195,318	$ –
Production and intermediate-term	903	236	1,139	133,852	134,991	–
Processing and marketing	–	–	–	29,838	29,838	–
Farm-related business	–	–	–	5,115	5,115	–
Communication	–	–	–	734	734	–
Energy and water/waste disposal	–	–	–	2,204	2,204	–
Rural residential real estate	91	68	159	8,034	8,193	–
Total	$ 2,152	$ 4,317	$ 6,469	$ 369,924	$ 376,393	$ –

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

	December 31,		
	2015	2014 (as revised)	2013 (as revised)
Nonaccrual loans:			
Real estate mortgage	$ 2,417	$ 4,007	$ 5,813
Production and intermediate-term	4,391	3,574	1,868
Rural residential real estate	298	305	476
Total	$ 7,106	$ 7,886	$ 8,157
Accruing restructured loans:			
Real estate mortgage	$ 2,904	$ 6,377	$ 6,737
Production and intermediate-term	6,169	5,481	7,489
Farm related business	781	834	884
Rural residential real estate	564	689	514
Total	$ 10,418	$ 13,381	$ 15,624
Accruing loans 90 days or more past due:			
Total	$ –	$ –	$ –
Total nonperforming loans	$ 17,524	$ 21,267	$ 23,781
Other property owned	16	–	1,108
Total nonperforming assets	$ 17,540	$ 21,267	$ 24,889
Nonaccrual loans as a percentage of total loans	1.59%	1.97%	2.18%
Nonperforming assets as a percentage of total loans and other property owned	3.94%	5.32%	6.62%
Nonperforming assets as a percentage of capital	18.95%	24.03%	29.48%

The following table presents information relating to impaired loans (including accrued interest) as defined in Note 2:

	December 31,		
	2015	2014	2013
Impaired nonaccrual loans:			
Current as to principal and interest	$ 4,698	$ 4,303	$ 3,140
Past due	2,408	3,583	5,017
Total	7,106	7,886	8,157
Impaired accrual loans:			
Restructured	10,418	13,381	15,624
90 days or more past due	–	–	–
Total	10,418	13,381	15,624
Total impaired loans	$ 17,524	$ 21,267	$ 23,781
Additional commitments to lend	$ –	$ 50	$ 209

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

	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	$ 2,078	$ 2,227	$ 337	$ 2,348	$ 163
Production and intermediate-term	8,205	8,270	2,761	9,267	643
Farm related business	781	781	8	882	61
Rural residential real estate	861	1,029	92	973	67
Total	$ 11,925	$ 12,307	$ 3,198	$ 13,470	$ 934
With no related allowance for credit losses:					
Real estate mortgage	$ 3,242	$ 3,614	$ –	$ 3,662	$ 254
Production and intermediate-term	2,356	3,835	–	2,662	184
Farm related business	–	–	–	–	–
Rural residential real estate	1	69	–	–	–
Total	$ 5,599	$ 7,518	$ –	$ 6,324	$ 438
Total impaired loans:					
Real estate mortgage	$ 5,320	$ 5,841	$ 337	$ 6,010	$ 417
Production and intermediate-term	10,561	12,105	2,761	11,929	827
Farm related business	781	781	8	882	61
Rural residential real estate	862	1,098	92	973	67
Total	$ 17,524	$ 19,825	$ 3,198	$ 19,794	$ 1,372

	December 31, 2014 (as revised)			Year Ended December 31, 2014 (as revised)	
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	$ 7,311	$ 7,718	$ 2,271	$ 7,754	$ 475
Production and intermediate-term	5,321	5,439	1,803	5,643	346
Farm related business	834	829	8	885	54
Rural residential real estate	912	927	308	967	59
Total	$ 14,378	$ 14,913	$ 4,390	$ 15,249	$ 934
With no related allowance for credit losses:					
Real estate mortgage	$ 3,073	$ 3,223	$ –	$ 3,259	$ 200
Production and intermediate-term	3,734	5,171	–	3,961	242
Farm related business	–	–	–	–	–
Rural residential real estate	82	163	–	87	5
Total	$ 6,889	$ 8,557	$ –	$ 7,307	$ 447
Total impaired loans:					
Real estate mortgage	$ 10,384	$ 10,941	$ 2,271	$ 11,013	$ 675
Production and intermediate-term	9,055	10,610	1,803	9,604	588
Farm related business	834	829	8	885	54
Rural residential real estate	994	1,090	308	1,054	64
Total	$ 21,267	$ 23,470	$ 4,390	$ 22,556	$ 1,381

Impaired loans:	December 31, 2013 (as revised) Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2013 (as revised) Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 8,754	$ 9,426	$ 2,664	$ 10,351	$ 91
Production and intermediate-term	5,159	5,241	1,133	6,100	54
Farm related business	883	879	168	1,043	9
Rural residential real estate	905	933	390	1,070	10
Total	$ 15,701	$ 16,479	$ 4,355	$ 18,564	$ 164
With no related allowance for credit losses:					
Real estate mortgage	$ 3,796	$ 5,268	$ –	$ 4,487	$ 40
Production and intermediate-term	4,198	5,100	–	4,963	44
Farm related business	1	–	–	2	–
Rural residential real estate	85	168	–	101	–
Total	$ 8,080	$ 10,536	$ –	$ 9,553	$ 84
Total impaired loans:					
Real estate mortgage	$ 12,550	$ 14,694	$ 2,664	$ 14,838	$ 131
Production and intermediate-term	9,357	10,341	1,133	11,063	98
Farm related business	884	879	168	1,045	9
Rural residential real estate	990	1,101	390	1,171	10
Total	$ 23,781	$ 27,015	$ 4,355	$ 28,117	$ 248

The following table summarizes interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans:

	Year Ended December 31, 2015	2014	2013
Interest income which would have been recognized under the original loan terms	$ 1,705	$ 1,693	$ 753
Less: interest income recognized	1,372	1,381	248
Foregone interest income	$ 333	$ 312	$ 505

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows (activity for the years ending December 31, 2014 and 3013 and balances as of December 31, 2014, 2013, and 2012 are presented as revised):

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Activity related to the allowance for credit losses:							
Balance at December 31, 2014	$ 4,994	$ 3,387	$ 443	$ 20	$ –	$ 393	$ 9,237
Charge-offs	(452)	(59)	–	–	–	(151)	(662)
Recoveries	204	–	–	–	–	7	211
Provision for loan losses	(2,446)	973	(395)	–	–	(115)	(1,983)
Balance at December 31, 2015	$ 2,300	$ 4,301	$ 48	$ 20	$ –	$ 134	$ 6,803
Balance at December 31, 2013	$ 4,153	$ 3,108	$ 299	$ 2	$ –	$ 533	$ 8,095
Charge-offs	(299)	(157)	–	–	–	(46)	(502)
Recoveries	230	71	–	–	–	3	304
Provision for loan losses	910	365	144	18	–	(97)	1,340
Balance at December 31, 2014	$ 4,994	$ 3,387	$ 443	$ 20	$ –	$ 393	$ 9,237
Balance at December 31, 2012	$ 7,132	$ 3,431	$ (8)	$ –	$ 3	$ 1,068	$ 11,626
Charge-offs	(1,578)	(1,098)	–	–	–	(139)	(2,815)
Recoveries	16	15	–	–	–	–	31
Provision for loan losses	(1,417)	760	307	2	(3)	(396)	(747)
Balance at December 31, 2013	$ 4,153	$ 3,108	$ 299	$ 2	$ –	$ 533	$ 8,095
Allowance on loans evaluated for impairment:							
Individually	$ 337	$ 2,761	$ 8	$ –	$ –	$ 92	$ 3,198
Collectively	1,963	1,540	40	20	–	42	3,605
Balance at December 31, 2015	$ 2,300	$ 4,301	$ 48	$ 20	$ –	$ 134	$ 6,803
Individually	$ 2,271	$ 1,803	$ 8	$ –	$ –	$ 308	$ 4,390
Collectively	2,723	1,584	435	20	–	85	4,847
Balance at December 31, 2014	$ 4,994	$ 3,387	$ 443	$ 20	$ –	$ 393	$ 9,237
Individually	$ 2,664	$ 1,133	$ 167	$ –	$ –	$ 391	$ 4,355
Collectively	1,489	1,975	132	2	–	142	3,740
Balance at December 31, 2013	$ 4,153	$ 3,108	$ 299	$ 2	$ –	$ 533	$ 8,095
Recorded investment in loans evaluated for impairment:							
Individually	$ 8,482	$ 7,994	$ 781	$ –	$ –	$ 316	$ 17,573
Collectively	216,592	136,874	64,374	5,188	–	6,441	429,469
Balance at December 31, 2015	$ 225,074	$ 144,868	$ 65,155	$ 5,188	$ –	$ 6,757	$ 447,042
Individually	$ 10,390	$ 9,098	$ 833	$ –	$ –	$ 997	$ 21,318
Collectively	198,716	127,160	41,426	3,603	1,909	6,964	379,778
Balance at December 31, 2014	$ 209,106	$ 136,258	$ 42,259	$ 3,603	$ 1,909	$ 7,961	$ 401,096
Individually	$ 12,562	$ 10,000	$ 884	$ –	$ –	$ 991	$ 24,437
Collectively	182,756	124,991	34,069	734	2,204	7,202	351,956
Balance at December 31, 2013	$ 195,318	$ 134,991	$ 34,953	$ 734	$ 2,204	$ 8,193	$ 376,393

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

To mitigate risk of loan losses, the Association may enter into guarantee arrangements with certain GSEs, including the Federal Agricultural Mortgage Corporation (Farmer Mac), and state or federal agencies. These guarantees generally remain in place until the loans are paid in full or expire and give the Association the right to be reimbursed for losses incurred or to sell designated loans to the guarantor in the event of default (typically four months past due), subject to certain conditions. The guaranteed balance of designated loans under these agreements was $55,321, $33,036, and $36,008 at December 31, 2015, 2014, and 2013, respectively. Fees paid for such guarantee commitments totaled $121, $106, and $126 for 2015, 2014, and 2013, respectively. These amounts are classified as noninterest expense.

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 tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented.

	Year Ended December 31, 2015				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 90	$ –	$ 90	
Production and intermediate-term	173	2,216	–	2,389	
Total	$ 173	$ 2,306	$ –	$ 2,479	
Post-modification:					
Real estate mortgage	$ –	$ 91	$ –	$ 91	$ –
Production and intermediate-term	173	2,216	–	2,389	–
Total	$ 173	$ 2,307	$ –	$ 2,480	$ –

	Year Ended December 31, 2014 (as revised)				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 674	$ –	$ 674	
Production and intermediate-term	–	562	–	562	
Total	$ –	$ 1,236	$ –	$ 1,236	
Post-modification:					
Real estate mortgage	$ –	$ 674	$ –	$ 674	$ –
Production and intermediate-term	–	562	–	562	–
Total	$ –	$ 1,236	$ –	$ 1,236	$ –

	Year Ended December 31, 2013 (as revised)				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ 78	$ 1,626	$ 100	$ 1,804	
Production and intermediate-term	–	3,050	649	3,699	
Rural residential real estate	202	–	–	202	
Total	$ 280	$ 4,676	$ 749	$ 5,705	
Post-modification:					
Real estate mortgage	$ 82	$ 1,664	$ 100	$ 1,846	$ –
Production and intermediate-term	–	3,066	647	3,713	(887)
Rural residential real estate	202	–	–	202	–
Total	$ 284	$ 4,730	$ 747	$ 5,761	$ (887)

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.

	Year Ended December 31,		
Defaulted troubled debt restructurings	2015	2014 (as revised)	2013 (as revised)
Real estate mortgage	$ –	$ –	$ –
Production and intermediate-term	567	–	–
Total	$ 567	$ –	$ –

The following table provides information at each 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		
	December 31,			December 31,		
	2015	2014 (as revised)	2013 (as revised)	2015	2014 (as revised)	2013 (as revised)
Real estate mortgage	$ 3,858	$ 8,872	$ 11,154	$ 954	$ 2,495	$ 4,416
Production and intermediate-term	7,624	6,539	8,259	1,455	1,058	770
Farm related business	781	834	884	–	–	–
Rural residential real estate	698	770	770	$ 134	81	257
Total Loans	$ 12,691	$ 17,015	$ 21,067	$ 2,543	$ 3,634	$ 5,443
Additional commitments to lend	$ –	$ –	$ –			

The following table presents information as of period end:

	December 31, 2015
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	$ –
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ 337

Note 4 — Investments

Investment Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

A summary of the amortized cost and fair value of HTM investment securities follows:

December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 24,612	$ 496	$ (32)	$ 25,076	1.95%

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 31,756	$ 731	$ (48)	$ 32,439	2.07%

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 39,511	$ 954	$ (48)	$ 40,417	2.07%

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

December 31, 2015	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ 892	$ 888	2.16%
After one year through five years	18,237	18,577	1.96
After five years through ten years	4,032	4,133	1.82
After ten years	1,451	1,478	1.96
Total	$ 24,612	$ 25,076	1.95%

A portion of these investments has 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. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

December 31, 2015	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ 487	$ (3)	$ 1,406	$ (29)

December 31, 2014	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ 1,621	$ (11)	$ 1,523	$ (37)

December 31, 2013	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ 932	$ (11)	$ 1,231	$ (37)

The recording of an impairment loss 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, OTTI 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 OTTI 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.

Substantially all of these investments were in U.S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

Investments in Other Farm Credit Institutions
Investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. Accounting for this investment is on the cost plus allocated equities basis.

The Association's investment in the Bank totaled $5,979 for 2015, $6,323 for 2014 and $6,995 for 2013. The Association owns 2.33 percent of the issued stock of the Bank as of December 31, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $30.6 billion and shareholders' equity totaled $2.3 billion. The Bank's earnings were $337 million for 2015. In addition, the Association had an investment of $289 related to other Farm Credit institutions at December 31, 2015.

Note 5 — Real Estate and Other Property

Premises and Equipment
Premises and equipment consists of the following:

	December 31,		
	2015	2014	2013
Land	$ 224	$ 224	$ 224
Buildings and improvements	909	906	886
Furniture and equipment	1,315	1,333	1,256
	2,448	2,463	2,366
Less: accumulated depreciation	1,715	1,673	1,619
Total	$ 733	$ 790	$ 747

The Association is obligated under various noncancellable operating leases for offices. At December 31, 2015 future minimum lease payments for all noncancellable operating leases are as follows:

2016	$ 391
2017	385
2018	397
2019	408
2020	420
Subsequent years	–
Total minimum lease payments	$ 2,001

Other Property Owned
Net (gains) losses on other property owned consist of the following:

	December 31,		
	2015	2014	2013
(Gains) losses on sale, net	$ –	$ (458)	$ 53
Carrying value unrealized (gains) losses	–	143	376
Operating (income) expense, net	5	(113)	(179)
(Gains) losses on other property owned, net	$ 5	$ (428)	$ 250

Gains on sales of other property owned were deferred if the sales involved financing from the Association and did not meet the criteria for immediate recognition. There were no deferred gains at December 31, 2015, 2014, and 2013.

Note 6 — Debt

Notes Payable to AgFirst Farm Credit Bank
Under the Farm Credit Act, the Association is obligated to borrow only from the Bank, unless the Bank approves borrowing from other funding sources. The borrowing relationship is established with the Bank through a GFA. The

GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The GFA has a one year term which expires on December 31 and is renewable each year. The Association has no reason to believe the GFA will not be renewed upon expiration. The Bank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2015, the Association's notes payable were within the specified limitations.

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 and the terms of the revolving lines of credit are governed by the GFA. Interest rates on both variable and fixed rate advances are generally established loan-by-loan based on the Bank's marginal cost of funds, capital position, operating costs and return objectives. In the event of prepayment of any portion of a fixed rate advance, the Association may incur a prepayment penalty in accordance with the terms of the GFA and which will be included in interest expense. The interest rate is periodically adjusted by the Bank based upon agreement between the Bank and the Association.

The weighted average interest rates on the variable rate advances were 1.57 percent for LIBOR-based loans and 1.64 percent for Prime-based loans, and the weighted average remaining maturities were 5.5 years and 7.4 years, respectively, at December 31, 2015. The weighted-average interest rate on the fixed rate and adjustable rate mortgage (ARM) loans which are match funded by the Bank was 2.68 percent, and the weighted average remaining maturity was 7.7 years at December 31, 2015. The weighted-average interest rate on all interest-bearing notes payable was 2.18 percent and the weighted-average remaining maturity was 6.7 years at December 31, 2015. Variable rate and fixed rate notes payable represent approximately 30.25 percent and 69.75 percent, respectively, of total notes payable at December 31, 2015. The weighted average maturities described above are related to matched-funded loans. The direct note itself has an annual maturity as prescribed in the GFA.

Note 7 — Members' Equity

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

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

B. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C stock for agricultural loans, or participation certificates in the case of rural home and farm related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to the lesser of $1 thousand or two percent of the amount of the loan. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after April 16, 1996 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

   The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

C. **Regulatory Capitalization Requirements and Restrictions:** FCA regulations require that certain minimum standards for capital be achieved and maintained. These standards are measured based on capital as a percentage of risk-adjusted assets and off-balance-sheet commitments and surplus levels as a percentage of risk-adjusted assets.

   Failure to meet the capital requirements can initiate certain mandatory and possibly additional discretionary actions by FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to shareholders unless prescribed capital standards are met.

   The Association's capital ratios as of December 31 and the FCA minimum requirements follow:

	2015	2014	2013	Regulatory Minimum
Permanent capital ratio	20.42%	21.18%	21.13%	7.00%
Total surplus ratio	20.21%	20.96%	20.87%	7.00%
Core surplus ratio	18.86%	18.24%	17.64%	3.50%

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

   There are currently no prohibitions in place that would prevent the Association from retiring stock, distributing earnings, or paying dividends per the statutory and regulatory restrictions, and the Association has no reason to believe any such restrictions may apply in the future.

D. **Description of Equities:** The Association is authorized to issue or have outstanding Classes A and D Preferred Stock, Classes A, B and C Common Stock, Classes B and C Participation Certificates and such other classes of equity as may be provided for in amendments to the bylaws in such amounts as may be necessary to conduct the Association's business. All stock and participation certificates have a par or face value of five dollars ($5.00) per share.

The Association had the following shares outstanding at December 31, 2015:

		Shares Outstanding	
Class	Protected	Number	Aggregate Par Value
C Common/Voting	No	150,096	$ 751
C Participation Certificates/Nonvoting	No	21,408	107
Total Capital Stock and Participation Certificates		171,504	$ 858

Protected common stock and participation certificates are retired at par or face value in the normal course of business. At-risk common stock and participation certificates are retired at the sole discretion of the Board at book value not to exceed par or face amounts, provided the minimum capital adequacy standards established by the Board are met.

Retained Earnings

The Association maintains an unallocated retained earnings account and an allocated retained earnings account. The minimum aggregate amount of these two accounts is determined by the Board. At the end of any fiscal year, if the retained earnings accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the commitments of the Association, the Association shall apply earnings for the year to the unallocated retained earnings account in such amounts as may be determined necessary by the Board. Unallocated retained earnings are maintained for each borrower to permit liquidation on a patronage basis.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a patronage basis. In the event of a net loss for any fiscal year, such allocated retained earnings account will be subject to full impairment in the order specified in the bylaws beginning with the most recent allocation.

The Association has a first lien and security interest on all retained earnings account allocations owned by any borrowers, and all distributions thereof, as additional collateral for their indebtedness to the Association. When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all retained earnings account allocations owned by such borrower to be applied on the indebtedness.

Allocated equities shall be retired solely at the discretion of the Board, provided that minimum capital standards established by the FCA and the Board are met.

At December 31, 2015, allocated members' equity consisted of $5,725 of qualified surplus, $20,628 of nonqualified allocated surplus and $2,152 of nonqualified retained surplus. Nonqualified distributions are tax deductible only when redeemed.

Dividends

The Association may declare noncumulative dividends on its capital stock and participation certificates provided the dividend rate does not exceed 20 percent of the par value of the respective capital stock and participation certificates. Such dividends may be paid solely on Classes A and D Preferred Stock or on all classes of stock and participation certificates.

The rate of dividends paid on Class A Preferred Stock for any fiscal year may not be less than the rate of dividends paid on Classes A, B or C Common Stock or participation certificates for such year. The rate of dividends on Classes A, B and C Common Stock and participation certificates shall be at the same rate per share.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. No dividends were declared by the Association for any of the periods included in these Consolidated Financial Statements.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Patronage distributions are based on the proportion of the borrower's interest to the amount of interest earned by the Association on its total loans unless another proportionate patronage basis is approved by the Board.

If the Association meets its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated members' equity account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. A minimum of 20 percent of the total qualified patronage distribution to any borrower for any fiscal year shall always be paid in cash.

Transfer

Classes A and D Preferred, Classes A, B and C Common Stocks, and Classes B and C Participation Certificates may be transferred to persons or entities eligible to purchase or hold such equities.

Impairment

Any net losses recorded by the Association shall first be applied against unallocated members' equity. To the extent that such losses would exceed unallocated members' equity, such losses would be applied consistent with the Association's bylaws and distributed pro rata to each share and/or unit outstanding in the class, in the following order:

a) ***First***, Assistance Preferred Stock issued and outstanding (if any);

b) ***Second***, allocated surplus evidenced by nonqualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;

c) ***Third***, allocated surplus evidenced by qualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;

d) ***Fourth***, Class A Common and Class B Common Stock, Class C Common Stock, Class E Common Stock, Class C Participation Certificates and Class B Participation Certificates issued and outstanding, pro rata until such stock is fully impaired;

e) ***Fifth***, Class A Preferred and Class D Preferred Stock issued and outstanding, if any.

Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities should be distributed to the holders of the outstanding stock and participation certificates in the following order:

a) ***First***, to the holders of Class A Preferred and Class D Preferred Stock until an amount equal to the aggregate par value of all shares of said stock then issued and outstanding has been distributed to such holders;

b) ***Second***, to the holders of Class A Common, Class B Common, Class C Common Stock, Class E Common Stock, and Class B Participation Certificates and Class C Participation Certificates, pro rata in proportion to the number of shares or units of each such class of stock or participation certificate then issued and outstanding, until an amount equal to the aggregate par value or face amount of all such shares or units has been distributed to such holders;

c) ***Third***, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;

d) ***Fourth***, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;

e) ***Fifth***, in so far as practicable, all unallocated surplus issued after April 15, 1999, shall be distributed to Patrons of the Association from the period beginning April 15, 1999, through the date of liquidation, on a patronage basis; and

f) ***Sixth***, any remaining assets of the Association after such distributions shall be distributed ratably to the holders of all classes of stock and participation certificates in proportion to the number of shares or units of such class of stock or participation certificates held by such holders.

All distributions to the holders of any class of stock and/or participation certificate holders shall be made pro rata in proportion to the number of shares or units of such class of stock or participation certificates held by such holders.

E. **Accumulated Other Comprehensive Income (AOCI):**

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

	For the years ended December 31,		
	2015	**2014**	**2013**
Employee Benefit Plans:			
Balance at beginning of period	$ (465)	$ (419)	$ (18)
Other comprehensive income before reclassifications	(65)	(88)	(401)
Amounts reclassified from AOCI	42	42	–
Net current period OCI	(23)	(46)	(401)
Balance at end of period	$ (488)	$ (465)	$ (419)

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

	Year to Date			
	2015	**2014**	**2013**	**Income Statement Line Item**
Defined Benefit Pension Plans:				
Periodic pension costs	$ (42)	$ (42)	$ –	See Note 9.
Amounts reclassified	$ (42)	$ (42)	$ –	

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

Note 8 — 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.

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities.

The classifications within the fair value hierarchy (See Note 2) are as follows:

Level 1
Assets held in trust funds, related to a supplemental retirement plan, are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

For cash, the carrying value is primarily utilized as a reasonable estimate of fair value.

Level 2
ABSs, such as those issued through the Small Business Administration, are classified Level 2.

Level 3
Because no active market exists for the Association's accruing loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans currently would be made to borrowers with similar credit risk. The loan portfolio is segregated into pools of loans with homogeneous characteristics based upon repricing and credit risk. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair values of loans in a nonaccrual status are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. 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.

Notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

Other property owned is classified as a Level 3 asset. The fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. Other property owned consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure and is carried as an asset held for sale, which is generally not its highest and best use. These properties are part of the Association's credit risk mitigation efforts, not its ongoing business. In addition, FCA regulations require that these types of property be disposed of within a reasonable period of time.

For commitments to extend credit, the estimated market value of off-balance-sheet commitments is minimal since the committed rate approximates current rates offered for commitments with similar rate and maturity characteristics; therefore, the related credit risk is not significant.

For other investments, which consist of Tobacco Buyout SIIC, fair value is determined by discounting the expected future cash flows using prevailing rates for similar assets.

There were no Level 3 assets and 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 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	$ 326	$ 326	$ –	$ –	$ 326	
Recurring Assets	$ 326	$ 326	$ –	$ –	$ 326	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 14,326	$ –	$ –	$ 14,326	$ 14,326	$ 740
Other property owned	16	–	$ –	18	18	–
Nonrecurring Assets	$ 14,342	$ –	$ –	$ 14,344	$ 14,344	$ 740
Other Financial Instruments						
Assets:						
Cash	$ 320	$ 320	$ –	$ –	$ 320	
Investment securities, held-to-maturity	24,612	–	25,076	–	25,076	
Loans	424,523	–	–	421,770	421,770	
Other Financial Assets	$ 449,455	$ 320	$ 25,076	$ 421,770	$ 447,166	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 379,668	$ –	$ –	$ 377,561	$ 377,561	
Other Financial Liabilities	$ 379,668	$ –	$ –	$ 377,561	$ 377,561	

	At or for the Year ended December 31, 2014					
	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	$ 254	$ 254	$ –	$ –	$ 254	
Recurring Assets	$ 254	$ 254	$ –	$ –	$ 254	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 16,877	$ –	$ –	$ 16,877	$ 16,877	$ (233)
Other property owned	–	–	$ –	–	–	315
Nonrecurring Assets	$ 16,877	$ –	$ –	$ 16,877	$ 16,877	$ 82
Other Financial Instruments						
Assets:						
Cash	$ 271	$ 271	$ –	$ –	$ 271	
Investment securities, held-to-maturity	31,756	–	32,439	–	32,439	
Loans	373,341	–	–	371,545	371,545	
Other Financial Assets	$ 405,368	$ 271	$ 32,439	$ 371,545	$ 404,255	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 344,844	$ –	$ –	$ 342,577	$ 342,577	
Other Financial Liabilities	$ 344,844	$ –	$ –	$ 342,577	$ 342,577	

	At or for the Year ended December 31, 2013					
	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	$ 175	$ 175	$ –	$ –	$ 175	
Recurring Assets	$ 175	$ 175	$ –	$ –	$ 175	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 19,426	$ –	$ –	$ 19,426	$ 19,426	$ 217
Other property owned	1,108	–	$ –	1,219	1,219	(429)
Nonrecurring Assets	$ 20,534	$ –	$ –	$ 20,645	$ 20,645	$ (212)
Other Financial Instruments						
Assets:						
Cash	$ 277	$ 277	$ –	$ –	$ 277	
Investment securities, held-to-maturity	39,511	–	40,417	–	40,417	
Loans	347,688	–	–	345,246	345,246	
Other Financial Assets	$ 387,476	$ 277	$ 40,417	$ 345,246	$ 385,940	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 337,140	$ –	$ –	$ 332,272	$ 332,272	
Other Financial Liabilities	$ 337,140	$ –	$ –	$ 332,272	$ 332,272	

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.

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	$ 14,344	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement costs	*
			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 9 — Employee Benefit Plans

The Association participates in four District sponsored benefit plans. These plans include two multiemployer defined benefit pension plans, the AgFirst Farm Credit Retirement Plan which is a final average pay plan (FAP Plan) and the AgFirst Farm Credit Cash Balance Retirement Plan which is a cash balance plan (CB Plan). In addition, the Association participates in a multiemployer defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance Retiree and Disabled Medical and Dental Plan and a defined contribution 401(k) plan. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

1. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in some of its multiemployer plans, the Association may be required to contribute to eliminate the underfunded status of the plan.

In November 2014, the AgFirst Plan Sponsor Committee approved and executed amendments to the CB Plan that included the following changes:

1. The CB Plan was closed to new participants effective as of December 31, 2014. Based on the plan's eligibility provisions, this change affected employees hired on or after November 4, 2014.
2. Employer contributions were discontinued effective as of January 1, 2015.
3. All participants who were not already fully vested in the CB Plan became fully vested as of December 31, 2014.
4. The CB Plan was terminated effective as of December 31, 2015, and has been submitted to the Internal Revenue Service for review.

As a result of the termination of the CB Plan, vested benefits will be distributed to participants after receipt of a favorable determination letter from the Internal Revenue Service. Participants will continue to receive interest credits to their hypothetical cash balance accounts following the termination of the plan through the month immediately preceding the month in which the vested benefits are distributed from the plan.

Curtailment accounting, as prescribed in ASC 715 "Compensation – Retirement Benefits", was initiated upon execution of the plan amendments and did not have a material impact on the Association's financial condition or results of operations.

Beginning on January 1, 2015, for participants in the CB Plan and eligible employees hired on or after November 4, 2014, additional employer contributions are made to the 401(k) Plan equal to 3.00 percent of the participants' eligible compensation.

The Association's participation in the multiemployer defined benefit plans for the annual periods ended December 31, are outlined in the table below. The "Percentage Funded to Projected Benefit Obligation" or "Percentage Funded to Accumulated Postretirement Benefit Obligation" represents the funded amount for the entire plan and the "Contributions" and "Percentage of Total Contributions" columns represent the Association's respective amounts.

Pension Plan	Percentage Funded to Projected Benefit Obligation			Contributions			Percentage of Total Contributions		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
AgFirst Farm Credit Retirement Plan	85.73%	84.56%	89.47%	$1,159	$871	$1,121	2.01%	2.29%	2.23%
AgFirst Farm Credit Cash Balance Retirement Plan	102.72%	100.07%	95.06%	$–	$172	$65	0.00%	3.46%	3.67%

Other Postretirement Benefit Plan	Percentage Funded to Accumulated Postretirement Benefit Obligation			Contributions			Percentage of Total Contribution		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Farm Credit Benefits Alliance Retiree and Disabled Medical and Dental Plans	0.00%	0.00%	0.00%	$158	$179	$165	2.32%	2.31%	2.37%

The District's multiemployer plans are not subject to ERISA and no Form 5500 is required. As such, the following information is neither available for nor applicable to the plans:

1. The Employee Identification Number (EIN) and three-digit Pension Plan Number

2. The most recent Pension Protection Act (PPA) zone status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

3. The "FIP/RP Status" indicating whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

4. The expiration date(s) of collective-bargaining agreement(s).

Substantially all employees of the Association hired before November 4, 2014 are eligible to participate in either the FAP Plan or the CB Plan. These two plans are noncontributory and include eligible Association and other District employees. For participants hired prior to January 1, 2003, benefits are provided under the FAP Plan and are based on eligible compensation and years of service. For participants hired on or after January 1, 2003 through November 3, 2014, benefits are provided under the CB Plan and are determined using a percent of eligible compensation formula. Prior to January 1, 2015, when employer contributions were discontinued as discussed above, the employer contribution into the CB Plan was based on a formula of 3.00-5.00 percent of eligible compensation (depending on years of service) and interest credits as allocated to an employee's theoretical account balance. The actuarially-determined costs of these plans are allocated to each participating entity, including the Association, by multiplying the plans' net pension expense by each institution's eligible service cost and accumulated benefit obligation as a percentage of the total eligible service cost and total accumulated benefit obligation for all plan participants. Plan expenses included in employee benefit costs were $1,061 for 2015, $1,227 for 2014, and $1,131 for 2013. The cumulative excess of amounts funded by the Association over the cost allocated to the Association is reflected as prepaid retirement expense, a component of Other Assets in the Consolidated Balance Sheets.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. Certain Association charges related to this plan are an allocation of District charges based on the Association's proportional share of the plan liability. This plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs were $325 for 2015, $199 for 2014, and $181 for 2013. The cumulative excess of cost allocated to the Association over the amounts funded by the Association is reflected as postretirement benefits other than pensions, a component of Other Liabilities in the Association's Consolidated Balance Sheets.

The Association also participates in a defined contribution Farm Credit Benefits Alliance (FCBA) 401(k) Plan (401(k) Plan), which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2002, the Association contributes $0.50 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2003, the Association contributes $1.00 for each $1.00 of the employee's first 6.00 percent of contribution up to the maximum employer contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $308, $205, and $187 for the years ended December 31, 2015, 2014, and 2013, respectively. Beginning in 2015, contributions include additional amounts related to the discontinuation of the CB Plan as discussed above.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2015, 2014, and 2013, $23, $46 and $401 has been recognized as net debits to AOCI to reflect these elements.

The supplemental retirement plan is unfunded and had a projected benefit obligation of $900 and a net under-funded status of $900 at December 31, 2015. Net periodic pension cost was $92, $89, and $12 for 2015, 2014, and 2013, respectively. Assumptions used to determine the projected benefit obligation as of December 31, 2015 included a discount rate of 4.60 percent and a rate of compensation increase of 2.00 percent.

Additional information can be found in Note 9 of the Notes to the Combined Financial Statements of AgFirst Farm Credit Bank and District Associations' Annual Report.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedule, and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total gross loans to such persons at December 31, 2015 amounted to $10,922. During 2015, $3,321 of new loans were made and repayments totaled $5,009. In the opinion of management, none of these loans outstanding at December, 31, 2015 involved more than a normal risk of collectability.

Note 11 — Commitments and Contingencies

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.

In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management’s credit evaluation of the borrower. At December 31, 2015, $87,181 of commitments to extend credit and no commercial letters of credit were outstanding. There was no reserve for unfunded commitments included in other liabilities in the balance sheet at December 31, 2015.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2015, standby letters of credit outstanding totaled $1,720 with expiration dates ranging from January 1, 2016 to July 31, 2020. The maximum potential amount of future payments that may be required under these guarantees was $1,720.

Note 12 — Income Taxes

At December 31, 2015, 2014 and 2013, the Association recorded $0, $3, and $2, respectively for provision or benefit for federal or state income taxes.

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

	December 31,		
	2015	2014	2013
Federal tax at statutory rate	$ 3,606	$ 3,782	$ 4,678
Effect of non-taxable FLCA subsidiary	(3,088)	(3,326)	(3,322)
Patronage distributions	(1,400)	(1,120)	(1,225)
Change in valuation allowance	952	719	60
Other	(70)	(52)	(189)
Provision (benefit) for income taxes	$ –	$ 3	$ 2

Deferred tax assets and liabilities are comprised of the following at:

	December 31,		
	2015	2014	2013
Deferred income tax assets:			
Allowance for loan losses	$ 1,592	$ 1,455	$ 919
Net operating loss – carryforward	8,201	7,339	7,189
Nonaccrual loan interest	45	82	51
Gross deferred tax assets	9,838	8,876	8,159
Less: valuation allowance	(9,765)	(8,813)	(8,094)
Gross deferred tax assets, net of valuation allowance	73	63	65
Deferred income tax liabilities:			
Loan origination fees	(73)	(63)	(65)
Gross deferred tax liability	(73)	(63)	(65)
Net deferred tax asset (liability)	$ –	$ –	$ –

At December 31, 2015, deferred income taxes have not been provided by the Association on approximately $1.2 million of patronage refunds received from the Bank prior to January 1, 1993. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

The Association recorded a valuation allowance of $9,765, $8,813 and $8,094 as of December 31, 2015, 2014 and 2013, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2015 for which liabilities have been established. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

The tax years that remain open for federal and major state income tax jurisdictions are 2012 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2015				
	First	Second	Third	Fourth	Total
Net interest income	$ 2,737	$ 2,744	$ 2,749	$ 2,724	$ 10,954
Provision for (reversal of allowance for) loan losses	(345)	(393)	485	(1,730)	(1,983)
Noninterest income (expense), net	(1,135)	(1,258)	(1,193)	953	(2,633)
Net income (loss)	$ 1,947	$ 1,879	$ 1,071	$ 5,407	$ 10,304

	2014				
	First	Second	Third	Fourth	Total
Net interest income	$ 2,794	$ 2,769	$ 2,679	$ 3,142	$ 11,384
Provision for (reversal of allowance for) loan losses	–	(460)	–	1,800	1,340
Noninterest income (expense), net	(938)	(955)	(1,026)	3,677	758
Net income (loss)	$ 1,856	$ 2,274	$ 1,653	$ 5,019	$ 10,802

	2013				
	First	Second	Third	Fourth	Total
Net interest income	$ 2,712	$ 2,662	$ 2,682	$ 2,707	$ 10,763
Provision for (reversal of allowance for) loan losses	(133)	(434)	(180)	–	(747)
Noninterest income (expense), net	(731)	(784)	(409)	3,780	1,856
Net income (loss)	$ 2,114	$ 2,312	$ 2,453	$ 6,487	$ 13,366

Note 14 — Subsequent Events

The Association evaluated subsequent events and determined that there were none requiring disclosure through March 10, 2016, which was the date the financial statements were issued.