CAPITAL FARM CREDIT

PART OF THE FARM CREDIT SYSTEM

Quarterly Report To Stockholders

Quarter Ended March 31, 2016

REPORT OF MANAGEMENT

The consolidated financial statements of Capital Farm Credit, ACA (the Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements and there are no significant changes in the Association's internal controls or in other factors that could significantly affect such controls during the year.

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

The Audit Committee of the board of directors has oversight responsibility for the Association's systems of internal controls and financial reporting. The Audit Committee consults regularly with management and the internal auditors and meets periodically with the independent auditors to review the scope and results of their work. The independent auditors and internal auditors have direct access to the Audit Committee.

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

Ben R. Novosad

Ben R. Novosad,
Chief Executive Officer

Phillip Munden

Phillip Munden,
Chairman, Board of Directors

Don VandeVanter

Don VandeVanter,
Chief Financial Officer

May 5, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Capital Farm Credit, ACA including its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively referred to as the Association) for the quarter ended March 31, 2016. These comments should be read in conjunction with the accompanying consolidated financial statements and the December 31, 2015 Annual Report of the Association. Results for interim periods are not necessarily indicative of results to be expected for future periods.

The first quarter of 2016 began with improved moisture conditions across the state and lower feed prices, which provided some encouragement to cattle producers to continue efforts to increase their herd size. Although cattle prices are significantly lower than previous years, the livestock industry's outlook for 2016 continues to be positive. The vastness and variety of the association's territory also permits a wide range of crops to be produced including corn, wheat, cotton and grain sorghum as the largest cash crops. Lower commodity prices may continue to reduce revenues in 2016, creating market strain and possibly resulting in operating losses for some producers. Oil prices continued to decline during the first quarter of 2016 but the housing market experienced improvement. Overall, Texas' general economic outlook suggests tempered economic growth for 2016.

Patronage Refunds by Association

The Association distributed its patronage refund for 2015 in March 2016. $56,746 of this distribution was paid in cash and $80,881 was distributed in the form of nonqualified allocated equity. The owners of these nonqualified distributions will not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the Association, allowing the stockholders to benefit more fully from the earnings of the Association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the Association's capital position and determine if some cash retirements of these equities can be made. In March 2015, the Association made its patronage distribution for 2014, with cash distribution of $71,980 and nonqualified allocations of $70,070.

Loan Portfolio

Total loan volume was $6,659,330 at March 31, 2016. This compares with loan volume owned by the Association at December 31, 2015 of $6,483,896. This represents an increase of $175,434, or approximately 2.7 percent. Most of this increase was realized in the farm-related business and real estate mortgage segment, with notable growth in the energy portfolio as well. The Association has increased its marketing efforts and implemented new loan programs in an effort to continue to grow its loan portfolio.

The Association has experienced an increase its high-risk assets by almost 22.9 percent in 2016 resulting from an increase in nonaccrual loans. The following table summarizes the Association's components and trends of high-risk assets:

	March 31, 2016	**%**	December 31, 2015	%
Nonaccrual loans	**$ 79,085**	**85.2**	$ 59,966	79.4
Loans 90 days past due and still accruing interest	**48**	**0.1**	933	1.2
Formally restructured loans	**12,804**	**13.7**	13,522	17.9
Other property owned, net	**887**	**1.0**	1,109	1.5
Total	**$ 92,824**	**100.0**	$75,530	100.0

Nonaccrual loans increased $19,119 during the first three months of 2016. This increase was recognized in the production and real estate mortgage sectors. This increase was a result of operating losses experienced by a few producers, driven primarily by drops in commodity prices.

Loans that are 90 or more days past due and still accruing interest decreased $885 in the first three months of 2016. This decrease was recognized in the production and real estate mortgage sectors. Loans in this category are to customers that have a documented plan that details how and when the amount owed will be paid.

Formally restructured loans decreased $718 during the first three months of 2016 as a result of loan pay offs. The Association is cooperating with distressed borrowers to work through temporary repayment problems, where possible. These restructurings may include a modification of loan terms to accommodate the financial difficulties of the customer.

Other property owned decreased $222 during the first three months of 2016. The decrease resulted from the sale of several acquired properties. The Association is actively working with real estate professionals to ensure properties are accurately valued on the Association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with problem customers and industries through periods of adversity.

Results of Operations

The Association's net income for the three months ended March 31, 2016 was $33,563 as compared to $31,903 for the three months ended March 31, 2015, an increase of $1,660, or 5.2 percent.

The increase in net income was affected by an increase in net interest income and in noninterest income, offset by an increase in the provision for loan losses. Net interest income increased by $3,334 during the first three months of 2016 compared to the same time period for 2015. An increase in average loan volume and higher average capital was the catalyst for the improvement in net interest income. The effects of changes in average volume and interest rates on net interest income in the three months ended March 31, 2016, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the three months ended March 31, 2016		For the three months ended March 31, 2015	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 6,493,596**	**$ 80,112**	$ 5,810,439	$ 71,899
Interest-bearing liabilities	**5,537,797**	**27,756**	4,913,905	22,877
Impact of capital	**$ 955,799**		$ 896,534	
Net interest income		**$ 52,356**		$ 49,022

	Average Yield	Average Yield
Yield on loans	**4.96%**	5.02%
Cost of interest-bearing Liabilities	**2.02%**	1.89%
Net interest margin	**2.94%**	3.13%

	2016 vs. 2015		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 8,524**	**$ (311)**	**$ 8,213**
Interest expense	**2,929**	**1,950**	**4,879**
Net interest income	**$ 5,595**	**$ (2,261)**	**$ 3,334**

Provision for loan losses was $4,180 for the period ended March 31, 2016, as compared to $1,736 for the same period in 2015. The Association added to its allowance for losses as loan volume continues to increase and credit quality declined slightly during the quarter. The Association's noninterest income increased from $8,119 in the first three months of 2015 to $9,047 in the first three months of 2016. The Association has received a patronage refund over the last several years from the Farm Credit Bank of Texas (Bank). This refund is paid annually to the Association in December by a direct reduction in its Note Payable to Bank. In accordance with the Bank's 2016 Capital Plan declaration the Association is accruing 0.40 percent of its average Note Payable during 2016. For the first quarter, the patronage income is $741 more in 2016 than for the same period in 2015 because of the higher Note Payable balance. In addition, loan fees increased from $698 in the first three months of 2015 to $904 in the first three months of 2016.

Noninterest expenses increased $175, or 0.7 percent in the first three months of 2016 as compared to the same time period in 2015. This increase is primarily attributable to an increase of $554 in the Farm Credit System insurance premium. This is a result of the Association's higher average loan volume as well as higher premium rates. The Farm Credit Insurance Corporation (FCSIC) revised premiums paid on accrual loans from 13 basis points in March 2015 to 16 basis points for the same time period in 2016. Other notable expense increases were in travel, FCA supervisory and exam, and communications.

Liquidity and Funding Sources

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

The primary source of liquidity and funding for the Association is its direct loan from the Bank. The Association had an outstanding balance of $5,634,971 at March 31, 2016, as compared to $5,474,595 at December 31, 2015. This increase in note payable to the Bank since December 2015 is the result of the increase in the Association's loan portfolio. The direct loan carried a weighted average interest rate of 2.02 percent for the three months ended March

31, 2016, compared to 1.92 percent for the year ended December 31, 2015. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a financing agreement.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At March 31, 2016 the Association's note payable was within the specified limitations. The maximum amount the Association could borrow from the Bank as of March 31, 2016, was $6,602,789, as defined by the general financing agreement. This borrowing limit changes as the borrowing base increases or decreases. In general the Bank funds 100 percent of all eligible acceptable and special mention loans and 75 percent of all eligible substandard loans.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2016. As borrower payments are received they are applied to the Association's note payable with the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, retained earnings, member stock and funds held in trust. It is management's opinion that funds available to the Association are sufficient to fund its operations for the next twelve months.

Capital Resources

The Association's capital position remains strong, with total capital of $1,099,994 at March 31, 2016. This represents an increase of $33,615 from the December 31, 2015 total capital level of $1,066,379. This increase in capital is a direct result of the Association's net income for the period. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at March 31, 2016 was 14.45 percent. The Association's core surplus ratio and total surplus ratio at March 31, 2016 were 14.18 percent and 14.18 percent, respectively, which is in compliance with the FCA's minimum ratio requirements of 3.5 percent and 7.0 percent, respectively.

Regulatory Matters

On June 12, 2014, the Farm Credit Administration approved a proposed rule to revise the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the proposed rule are as follows:

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

The public comment period ended on October 23, 2014. According to its Spring 2016 Regulatory Projects Plan, FCA anticipates adopting a final rule in July, 2016.

On March 10, 2016, the Farm Credit Administration approved a final rule to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,

- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent, and
- To meet the requirements of section 939A of the Dodd-Frank Act.

The final rule is effective on January 1, 2017.

Relationship with the Farm Credit Bank of Texas

The Association's statutory obligation to borrow only from the Bank is described in the section "Liquidity and Funding Sources" of the Management's Discussion and Analysis, included in this quarterly report.

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis," included in this quarterly report.

The Bank provides computer systems to support the critical operations of the Association. The Association also has operating systems and facility-based systems that are not supported by the Bank. The Bank also provides other services the Association can utilize.

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

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

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the Association's quarterly and annual stockholder reports are also available on its Website at *www.capitalfarmcredit.com* or can be requested by e-mailing *isela.morales@capitalfarmcredit.com*.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Loans	**$ 6,659,330**	$ 6,483,896
Less: Allowance for losses	**(27,267)**	(23,328)
Net loans	**6,632,063**	6,460,568
Cash	**233**	52
Accrued interest receivable - loans	**52,651**	52,669
Accrued interest receivable - investments	**88**	92
Investments – held-to-maturity	**7,659**	8,098
Investment in and receivable from the Bank:		
Capital stock	**102,014**	102,014
Receivable	**11,505**	12,716
Investments in other Farm Credit Institutions	**6,419**	6,414
Other property owned, net	**887**	1,109
Premises and equipment, net	**16,508**	16,603
Other assets	**19,382**	16,525
Total assets	**$ 6,849,409**	$ 6,676,860
LIABILITIES		
Note payable to the Bank	**$ 5,634,971**	$ 5,474,595
Advanced conditional payments	**5,232**	6,214
Accrued interest payable	**9,562**	9,018
Drafts outstanding	**1,088**	4,397
Patronage distributions payable	**2**	56,746
Unfunded post retirement medical obligation	**22,065**	21,870
Other liabilities	**76,495**	37,641
Total liabilities	**5,749,415**	5,610,481
MEMBERS' EQUITY		
Capital stock and participation certificates	**24,564**	24,419
Non-qualified allocated retained earnings	**487,485**	487,489
Unallocated retained earnings	**588,620**	555,052
Accumulated other comprehensive income	**(675)**	(581)
Total members' equity	**1,099,994**	1,066,379
Total liabilities and members' equity	**$ 6,849,409**	$ 6,676,860

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(UNAUDITED)

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
INTEREST INCOME		
Loans	**$ 80,012**	$ 71,769
Investments	**100**	130
Total interest income	**80,112**	71,899
INTEREST EXPENSE		
Note payable to the Bank and others	**27,756**	22,877
Net interest income	**52,356**	49,022
PROVISION FOR LOAN LOSSES		
Provision for loan losses	**4,180**	1,736
Net interest income after provision for losses	**48,176**	47,286
NONINTEREST INCOME		
Patronage income from the Bank	**6,060**	5,319
Loan fees	**904**	698
Gain on other property owned, net	**32**	128
Other income	**2,051**	1,974
Total noninterest income	**9,047**	8,119
NONINTEREST EXPENSES		
Salaries and employee benefits	**14,572**	15,008
Farm Credit System insurance premium	**2,055**	1,501
Occupancy and equipment	**1,292**	1,283
Advertising	**1,032**	904
Purchased services and allocations	**975**	1,294
Public and member relations	**766**	853
Travel	**681**	492
FCA supervisory and exam expense	**368**	337
Communications	**316**	288
Directors' expense	**218**	225
Other expenses	**1,397**	1,312
Total noninterest expenses	**23,672**	23,497
Income before federal income tax	**33,551**	31,908
(Benefit from) provision for federal income tax	**(12)**	5
NET INCOME	**$ 33,563**	$ 31,903
Other comprehensive loss:		
Change in postretirement benefit plans	**(94)**	(28)
Income tax expense related to items of other comprehensive income	**-**	-
Other comprehensive loss, net of tax	**(94)**	(28)
COMPREHENSIVE INCOME	**$ 33,469**	$ 31,875

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Retained Earnings: Non-qualified Allocated	Retained Earnings: Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2014	$ 23,417	$ 446,477	$ 553,366	$ (3,028)	$ 1,020,232
Net income	-	-	31,903	-	31,903
Other comprehensive loss	-	-	-	(28)	(28)
Capital stock/participation certificates issued	867	-	-	-	867
Capital stock/participation certificates/ allocated equities retired	(767)	-	-	-	(767)
Other adjustments	-	(3)	16	-	13
Balance at March 31, 2015	23,517	446,474	585,285	(3,056)	1,052,220
Net income	-	-	107,399	-	107,399
Other comprehensive loss	-	-	-	2,475	2,475
Capital stock/participation certificates issued	3,201	-	-	-	3,201
Capital stock/participation certificates/ allocated equities retired	(2,299)	(39,867)	-	-	(42,166)
Patronage distributions declared:					
Cash	-	-	(56,746)	-	(56,746)
Nonqualified allocations	-	80,885	(80,885)	-	-
Other adjustments	-	(3)	(1)	-	(4)
Balance at December 31, 2015	24,419	487,489	555,052	(581)	1,066,379
Net income	-	-	33,563	-	33,563
Other comprehensive loss	-	-	-	(94)	(94)
Capital stock/participation certificates issued	983	-	-	-	983
Capital stock/participation certificates/ allocated equities retired	(838)	-	-	-	(838)
Other adjustments	-	(4)	5	-	1
Balance at March 31, 2016	**$ 24,564**	**$ 487,485**	**$ 588,620**	**$ (675)**	**$ 1,099,994**

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

CAPITAL FARM CREDIT, ACA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called the "Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in 192 counties in the state of Texas.

The Association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act.)

A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of December 31, 2015 are contained in the 2015 Annual Report to Stockholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2015 as contained in the 2015 Annual Report to Stockholders.

The Bank and its related Associations are collectively referred to as the "District." The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investment in the Association. Upon request, stockholders of the Association will be provided the Tenth Farm Credit District's Annual Report to Stockholders, which includes the combined financial statements of the Bank and all of the District Associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the Bank and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Farm Credit System Insurance Corporation.

In the opinion of management, the unaudited financial information is complete and reflects, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2015. Descriptions of the significant accounting policies are included in the 2014 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the Banking industry.

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operation.

In August 2014, the FASB issued guidance entitled "Presentation of Financial Statements — Going Concern." The guidance governs management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016, and expects the Association to continue as a going concern.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of the Association's contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on their financial condition or results of operations. Management anticipates the adoption of this guidance to have very little impact to the financial condition or results of operations for the Association.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period's financial statement presentation.

NOTE 2 — INVESTMENTS:

Investments Held-to-Maturity

The Association's held-to-maturity investment consists of Farmer Mac guaranteed agricultural mortgage-backed securities (AMBS). A summary of the amortized cost and fair value of investment securities held-to-maturity is as follows:

March 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 7,659	$ 110	$ -	$ 7,769	5.01%	3.54

December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 8,098	$ 43	$ -	$ 8,141	4.93%	2.82

The Farmer Mac AMBS were received in exchange for mortgage loans which were previously covered under the long-term standby commitment to purchase agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions. The Association continues to service the loans included in the transaction.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry	March 31, 2016	%	December 31, 2015	%
Real estate mortgage	**$ 4,921,000**	**73.9**	$ 4,853,855	74.9
Production and intermediate-term	**832,031**	**12.5**	827,061	12.8
Farm-related business	**612,473**	**9.2**	543,010	8.4
Rural residential real estate	**151,404**	**2.3**	144,470	2.2
Energy	**74,464**	**1.1**	46,489	0.7
Communication	**51,946**	**0.8**	53,063	0.8
Mission-related investments	**8,080**	**0.1**	8,127	0.1
Lease receivables	**6,060**	**0.1**	6,028	0.1
Water and waste disposal	**1,872**	**0.0**	1,793	0.0
Total	**$ 6,659,330**	**100.0**	$ 6,483,896	100.0

At March 31, 2016, the Association held five transactions, which are reported as loans on the consolidated balance sheet totaling $6,527 and with $44 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold as of March 31, 2016:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 109,687	$ 61,076	$ -	$ -	$ 109,687	$ 61,076
Production and intermediate-term	165,100	418,768	-	-	165,100	418,768
Farm-related business	457,626	53,758	1,195	-	458,821	53,758
Energy	74,464	-	-	-	74,464	-
Communication	51,946	-	-	-	51,946	-
Mission-related investments	2,257	-	4,270	-	6,527	-
Lease receivables	6,060	-	-	-	6,060	-
Water and waste disposal	1,669	-	-	-	1,669	-
Total	$ 868,809	$ 533,602	$ 5,465	$ -	$ 874,274	$ 533,602

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

	March 31, 2016	December 31, 2015
Nonaccrual loans:		
Real estate mortgage	**$ 53,438**	$ 47,524
Production and intermediate-term	**24,319**	10,947
Farm-related business	**907**	1,011
Rural residential real estate	**409**	468
Lease receivable	**12**	16
Total nonaccrual loans	**$ 79,085**	$ 59,966
Accruing restructured loans:		
Real estate mortgage	**$ 7,903**	$ 4,642
Production and intermediate-term	**2,526**	6,542
Rural residential real estate	**153**	155
Mission-related investments	**2,315**	2,282
Total accruing restructured loans	**$ 12,897**	$ 13,621
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 49**	$ 295
Production and intermediate-term	**2**	583
Rural residential real estate	**-**	92
Total accruing loans 90 days or more past due	**$ 51**	$ 970
Total nonperforming loans	**$ 92,033**	$ 74,557
Other property owned	**887**	1,109
Total nonperforming assets	**$ 92,920**	$ 75,666

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

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

	March 31, 2016	December 31, 2015
Real estate mortgage		
Acceptable	**97.0%**	97.1%
OAEM	**1.4%**	1.4%
Substandard/doubtful	**1.6%**	1.5%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	**92.3%**	93.6%
OAEM	**2.6%**	2.9%
Substandard/doubtful	**5.1%**	3.5%
	100.0%	100.0%
Farm-related business		
Acceptable	**96.4%**	95.2%
OAEM	**2.5%**	3.1%
Substandard/doubtful	**1.1%**	1.7%
	100.0%	100.0%
Rural residential real estate		
Acceptable	**97.9%**	97.7%
OAEM	**1.3%**	1.3%
Substandard/doubtful	**0.8%**	1.0%
	100.0%	100.0%
Energy		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Communication		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Mission-related investments		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Lease receivables		
Acceptable	**99.7%**	99.7%
OAEM	**-**	-
Substandard/doubtful	**0.3%**	0.3%
	100.0%	100.0%
Water and waste disposal		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Total Loans		
Acceptable	**96.4%**	96.6%
OAEM	**1.7%**	1.7%
Substandard/doubtful	**1.9%**	1.7%
	100.0%	100.0%

The following table provides an age analysis of past due loans (including accrued interest) as of:

March 31, 2016	30-89 Days Past	90 Days or More	Total Past Due	Not Past Due or less than 30	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	$ 25,521	$21,850	47,371	$ 4,911,334	4,958,705	$ 49
Production and intermediate-term	15,374	2,834	18,208	825,563	843,771	2
Farm-related business	295	-	295	614,313	614,608	-
Rural residential real estate	880	56	936	151,138	152,074	-
Energy	-	-	-	74,604	74,604	-
Communication	-	-	-	51,984	51,984	-
Mission-related investments	-	-	-	8,234	8,234	-
Lease receivables	-	-	-	6,129	6,129	-
Water and waste disposal	-	-	-	1,872	1,872	-
Total	$ 42,070	$24,740	$ 66,810	$ 6,645,171	$ 6,711,981	$ 51

December 31, 2015	30-89 Days Past	90 Days or More	Total Past Due	Not Past Due or less than 30	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	$ 25,908	$16,812	$ 42,720	$ 4,850,922	$ 4,893,642	$ 295
Production and intermediate-term	14,549	6,349	20,898	816,438	837,336	583
Farm-related business	6,633	-	6,633	538,129	544,762	-
Rural residential real estate	300	92	392	144,695	145,087	92
Energy	-	-	-	46,543	46,543	-
Communication	-	-	-	53,104	53,104	-
Mission-related investments	-	-	-	8,189	8,189	-
Lease receivables	-	-	-	6,108	6,108	-
Water and waste disposal	-	-	-	1,794	1,794	-
Total	$ 47,390	$23,253	$ 70,643	$ 6,465,922	$ 6,536,565	$ 970

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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of March 31, 2016 the total troubled debt restructured loans was $14,182, including $1,285 classified as nonaccrual and $12,897 classified as accrual, with specific allowance for loan losses of $124. As of March 31, 2016 commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $124.

The following table presents additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation that occurred. Balance of Pre-TDR designation represents quarter-end loans just prior to restructuring and post-TDR represents the quarter-end loans immediately following the restructuring.

	Troubled Debt Restructuring Activity			
	2016		2015	
Three months ended March 31:	Pre-TDR Designation Balance	Post-TDR Designation Balance	Pre-TDR Designation Balance	Post-TDR Designation Balance
Real estate mortgage	$ -	$ -	$ 71	$ 70
Production and intermediate-term	-	-	880	447
Total	$ -	$ -	$ 951	$ 517

The Association had two loans that met the accounting criteria as troubled debt restructuring and that occurred during the previous twelve months, and for which there was a payment default during that same period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

Additional impaired loan information is as follows:

	At March 31, 2016			At December 31, 2015		
	Loan Balance	Unpaid Principal Balance[a]	Related Specific Allowance	Loan Balance	Unpaid Principal Balance[a]	Related Specific Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage	$ 3,444	$ 3,475	$ 376	$ 1,425	$ 1,456	$ 259
Production and intermediate-term	13,532	13,740	2,396	5,649	5,650	1,881
Mission-related investments	2,258	2,258	85	2,258	2,258	84
Total	$ 19,234	$ 19,473	$ 2,857	$ 9,332	$ 9,364	$ 2,224
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	$ 57,934	$ 61,289	$ -	$ 51,019	$ 54,505	$ -
Production and intermediate-term	13,288	16,388	-	12,330	15,228	-
Farm-related business	907	19,809	-	1,011	20,083	-
Rural residential real estate	562	701	-	713	857	-
Lease receivables	12	12	-	16	16	-
Total	$ 72,703	$ 98,199	$ -	$ 65,089	$ 90,689	$ -
Total impaired loans:						
Real estate mortgage	$ 61,378	$ 64,764	$ 376	$ 52,444	$ 55,961	$ 259
Production and intermediate-term	26,820	30,128	2,396	17,979	20,878	1,881
Farm-related business	907	19,809	-	1,011	20,083	-
Rural residential real estate	562	701	-	713	857	-
Mission-related investments	2,258	2,258	85	2,258	2,258	84
Lease receivables	12	12	-	16	16	-
Total	$ 91,937	$ 117,672	$ 2,857	$ 74,421	$ 100,053	$ 2,224

	For the Three Months Ended March 31, 2016		For the Year Ended December 31, 2015	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Real estate mortgage	$ 2,080	$ 2	$ 1,217	$ 7
Production and intermediate-term	8,005	123	3,785	71
Farm-related business	-	-	251	-
Rural residential real estate	-	-	3	-
Mission-related investments	2,258	35	2,276	141
Total	$ 12,343	$ 160	$ 7,532	$ 219
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ 54,349	$ 222	$ 64,458	$ 768
Production and intermediate-term	10,502	127	12,568	963
Farm-related business	941	-	2,460	14
Rural residential real estate	610	2	554	25
Mission-related investments	-	-	36	-
Lease receivables	14	-	23	-
Total	$ 66,416	$ 351	$ 80,099	$ 1,770
Total impaired loans:				
Real estate mortgage	$ 56,429	$ 224	$ 65,675	$ 775
Production and intermediate-term	18,507	250	16,353	1,034
Farm-related business	941	-	2,711	14
Rural residential real estate	610	2	557	25
Mission-related investments	2,258	-	2,312	141
Lease receivables	14	35	23	-
Total	$ 78,759	$ 511	$ 87,631	$ 1,989

A summary of changes in the allowance for loan losses and the ending balance including accrued interest of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Communication	Energy	Mission Related Investments	Lease Receivable	Total
Allowance for loan losses:									
Balance at December 31, 2015	$ 10,053	$ 10,465	$ 2,023	$ 289	$ 141	$ 247	$ 89	$ 21	$ 23,328
Charge-offs	-	(416)	-	-	-	-	-	-	(416)
Recoveries	71	52	51	1	-	-	-	-	175
Provision for loan losses	475	2,128	1,336	21	17	200	-	3	4,180
Other *	-	-	-	-	-	-	-	-	-
Balance at March 31, 2016	$ 10,599	$ 12,229	$ 3,410	$ 311	$ 158	$ 447	$ 89	$ 24	$ 27,267
Allowance for loan losses:									
Ending Balance at March 31, 2016									
Individually evaluated for impairment	$ 376	$ 2,396	$ -	$ -	$ -	$ -	$ 85	$ -	$ 2,857
Allowance for loan losses:									
Collectively evaluated for impairment	$ 10,223	$ 9,833	$ 3,410	$ 311	$ 158	$ 447	$ 4	$ 24	$ 24,410
Balance at December 31, 2014	$ 6,993	$ 6,662	$ 1,511	$ 191	$ 133	$ 178	$ 82	$ 23	$ 15,773
Charge-offs	(3)	-	-	(7)	-	-	-	-	(10)
Recoveries	3	33	105	-	-	-	-	-	141
Provision for loan losses	363	(557)	1,920	15	(10)	7	-	(2)	1,736
Other	-	-	(1,796)	-	-	-	-	-	(1,796)
Balance at March 31, 2015	$ 7,356	$ 6,138	$ 1,740	$ 199	$ 123	$ 185	$ 82	$ 21	$ 15,844
Allowance for loan losses:									
Ending Balance at December 31, 2015									
individually evaluated for impairment	$ 259	$ 1,881	$ -	$ -	$ -	$ -	$ 84	$ -	$ 2,224
Allowance for loan losses:									
collectively evaluated for impairment	$ 9,794	$ 8,584	$ 2,023	$ 289	$ 141	$ 247	$ 5	$ 21	$ 21,104
Recorded Investments in Loans Outstanding:									
Ending Balance at March 31, 2016	$ 4,958,545	$ 843,931	$ 614,608	$ 152,074	$ 51,984	$ 76,476	$ 8,234	$ 6,129	$ 6,711,981
Individually evaluated for impairment	$ 61,378	$ 26,820	$ 907	$ -	$ -	$ 562	$ 2,258	$ 12	$ 91,937
Collectively evaluated for impairment	$ 4,897,167	$ 817,111	$ 613,701	$ 152,074	$ 51,984	$ 75,914	$ 5,976	$ 6,117	$ 6,620,044
Ending Balance at December 31, 2015	$ 4,893,644	$ 837,335	$ 544,762	$ 145,087	$ 53,104	$ 48,336	$ 8,189	$ 6,108	$ 6,536,565
Individually evaluated for impairment	$ 52,444	$ 17,979	$ 1,011	$ 713	$ -	$ -	$ 2,258	$ 16	$ 74,421
Collectively evaluated for impairment	$ 4,841,200	$ 819,356	$ 543,751	$ 144,374	$ 53,104	$ 48,336	$ 5,931	$ 6,092	$ 6,462,144

NOTE 4 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 14 "Fair Value Measurements" of the 2015 Annual Report to stockholders for a more complete description.

Assets held in nonqualified benefits trusts related to deferred compensation and supplemental retirement plans are classified as Level 1. Level 1 valuation utilizes quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The trust funds include investments that are actually traded and have quoted net assets values that are quoted in the marketplace. These assets are measured at fair value on a recurring basis and are summarized below:

	Total Fair Value March 31, 2016	**Total Fair Value December 31, 2015**
Beginning Balance	**$ 5,496**	**$ 5,097**
Transfers In	**388**	**351**
Other Market Changes	**(294)**	**48**
Assets held in non-qualified benefits trusts	**$ 5,590**	**$ 5,496**

Sensitivity to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider 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.

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

These assets are measured at fair value on a nonrecurring basis and are summarized below:

	Total Fair Value March 31, 2016	Total Fair Value December 31, 2015
Impaired Loans	**$ 16,376**	$ 7,108
Other property owned	**887**	1,109
Total	**$ 17,263**	$ 8,217

NOTE 5 — MEMBERS EQUITY:

The board of directors approved a $137,631 patronage distribution for 2015. $56,746 of this distribution was to be paid in cash in March 2016. $80,885 was to be distributed in the form of nonqualified allocated equity. In March 2016 the Association finalized the computation of these distributions which resulted in a reduction in nonqualified allocations of $4 resulting in an actual allocation of $80,881. The owners of these nonqualified distributions will not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the Association, allowing the stockholders to benefit more fully from the earnings of the Association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the Association's capital position and determine if some cash retirements of these equities can be made. In 2014, the board of directors approved a $142,065 patronage distribution for 2014, with cash patronage payable of $71,995 and $70,070 in nonqualified allocations. In March 2015 the Association finalized the computation of these distributions which resulted in a reduction in cash patronage payable of $15 for an actual cash distribution of $71,980, and nonqualified allocations remained unchanged.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The Association expects to contribute $4,637 to its pension plan in 2016, which will be $272 more than the 2015 contribution. Pension plan funding expense was $1,159 and $1,091 for the three months ended March 31, 2016 and 2015 respectively.

NOTE 7 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 5, 2016 which is the date the financial statements were issued and there are no significant events requiring disclosure as of this date.