AgGeorgia Farm Credit

Helping Georgia Grow for Generations®

2015 ANNUAL REPORT

Report of Management

The accompanying Consolidated Financial Statements and related financial information appearing throughout this annual report have been prepared by management of AgGeorgia Farm Credit, 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 AgGeorgia Farm Credit, ACA, that the report has been prepared under the oversight of the audit committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

J. Dan Raines, Jr.
Chairman of the Board

Jack C. Drew, Jr.
Chief Executive Officer

Carrie B. McCall
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.

Jack C. Drew, Jr.
Chief Executive Officer

Carrie B. McCall
Chief Financial Officer

March 10, 2016

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	December 31, 2015	2014	2013	2012	2011
Balance Sheet Data					
Cash	**$ 445**	$ 80	$ 1,304	$ 1,371	$ 1,479
Loans	**831,115**	830,645	840,992	924,304	1,065,755
Allowance for loan losses	**(5,577)**	(5,999)	(10,575)	(10,976)	(13,182)
Net loans	**825,538**	824,646	830,417	913,328	1,052,573
Investments in other Farm Credit institutions	**9,564**	10,070	13,474	16,628	21,924
Other property owned	**2,342**	8,269	7,345	10,672	16,865
Other assets	**37,252**	40,990	44,174	37,859	42,663
Total assets	**$ 875,141**	$ 884,055	$ 896,714	$ 979,858	$ 1,135,504
Notes payable to AgFirst Farm Credit Bank*	**$ 623,422**	$ 636,993	$ 661,719	$ 759,981	$ 926,894
Accrued interest payable and other liabilities with maturities of less than one year	**20,495**	21,746	19,089	18,502	17,610
Total liabilities	**643,917**	658,739	680,808	778,483	944,504
Protected borrower stock	**1**	5	8	33	83
Capital stock and participation certificates	**3,889**	3,796	3,744	3,889	4,265
Retained earnings					
Allocated	**93,387**	95,454	94,741	89,580	86,243
Unallocated	**134,084**	126,220	117,487	107,979	100,462
Accumulated other comprehensive income (loss)	**(137)**	(159)	(74)	(106)	(53)
Total members' equity	**231,224**	225,316	215,906	201,375	191,000
Total liabilities and members' equity	**$ 875,141**	$ 884,055	$ 896,714	$ 979,858	$ 1,135,504
Statement of Income Data					
Net interest income	**$ 29,600**	$ 30,616	$ 31,467	$ 34,420	$ 35,879
Provision for (reversal of allowance for) loan losses	**(1,243)**	(103)	4,373	8,329	14,849
Noninterest income (expense), net	**(11,143)**	(8,388)	(7,897)	(14,171)	(13,469)
Net income	**$ 19,700**	$ 22,331	$ 19,197	$ 11,920	$ 7,561
Key Financial Ratios					
Rate of return on average:					
Total assets	**2.25%**	2.52%	2.04%	1.11%	0.64%
Total members' equity	**8.63%**	10.11%	9.10%	6.08%	3.90%
Net interest income as a percentage of average earning assets	**3.53%**	3.63%	3.52%	3.38%	3.18%
Net (chargeoffs) recoveries to average loans	**0.098%**	(0.530)%	(0.534)%	(1.035)%	(1.207)%
Total members' equity to total assets	**26.42%**	25.49%	24.08%	20.55%	16.82%
Debt to members' equity (:1)	**2.78**	2.92	3.15	3.87	4.95
Allowance for loan losses to loans	**0.67%**	0.72%	1.26%	1.19%	1.24%
Permanent capital ratio	**25.92%**	25.02%	23.51%	18.20%	14.98%
Total surplus ratio	**25.46%**	24.57%	23.07%	17.80%	14.61%
Core surplus ratio	**21.40%**	20.92%	19.87%	16.48%	12.20%
Net Income Distribution					
Estimated patronage refunds:					
Cash	**$ 3,520**	$ 4,040	$ 2,684	$ 989	$ 807
Qualified allocated retained earnings	**8,213**	9,428	6,264	3,131	2,757

** 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 AgGeorgia Farm Credit, 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 99 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 Georgia. 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 materially 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, P. O. 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.aggeorgia.com*, or by calling 1-800-868-6404, or writing Carrie B. McCall, AgGeorgia Farm Credit, P.O. Box 1820, Perry, GA 31069. 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 AgFirst's business. References to USDA information in this section refer to the U.S. agricultural market data and are not limited to information/data in the AgFirst District.

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 was selected by reference to analysis and yield curves of the plans' actuary and industry norms.

ECONOMIC CONDITIONS

Georgia is a uniquely diversified agricultural state, with production of the following commodities in order of total Farmgate value: Broilers, Cotton, Eggs, Beef, Timber, Corn, Peanuts, Dairy, Horses, Pecans, Blueberries and Greenhouse.

In 2015 Georgia cotton acreage was down 19 percent from 2014. Georgia cotton will likely see some reduction in yield and quality as a result of November rains; however, in recent years, fiber quality in Georgia is greatly improved. As of this report, December 2016 futures for cotton is $0.5970 per pound, reflecting the ongoing world oversupply. Cotton producers will have to aggressively manage costs while also trying maximize yields and quality to achieve even a modest level of profitability. University of Georgia cotton economists recommend waiting for futures to reach 68 to 70 cents before forward contracting. Overall, a modest increase in planted acres is expected in 2016 over 2015.

Peanut acreage in Georgia was up 31 percent over 2014 with 785 thousand acres planted. The average yield was 4,470 lbs/acre, the second highest total over the past several years; however, the outlook for Georgia peanut producers is less than positive at this time. Acreage is expected to remain essentially the same as 2015 because of low prices for alternative row crops. Ample supply will result in downward pressure on prices.

Due to Avian Influenza concerns a number of countries currently have a ban on US poultry imports. Prices paid to producers for broilers is expected to decrease by 4 to 5 percent in 2016; however, due to depressed prices for feed inputs the industry is expected to remain profitable.

It is anticipated the mailbox price for milk producers will be the lowest in the past six years. As with poultry, though, lower feed expense will offset low prices. The outlook is bleak at this time.

Lumber production, especially pine grade, is expected to remain in high demand due to recent housing starts. According to industry publications sawtimber should remain in the $18/ton range and pine pulp will be around $10/ton.

In summary, the producers of the primary commodities financed by AgGeorgia face challenges with depressed prices and weather adversity.

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 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 these classification revisions.

Loan Type	December 31, 2015		2014 (as revised)		2013 (as revised)	
	(dollars in thousands)					
Real estate mortgage	$ 419,500	50.47 %	$ 420,411	50.61 %	$ 417,650	49.66 %
Production and intermediate-term	378,123	45.50	378,664	45.59	395,656	47.05
Loans to Cooperatives	–	–	–	–	23	–
Processing and marketing	20,870	2.51	14,102	1.70	12,671	1.51
Farm-related business	5,253	0.63	7,470	0.90	4,985	0.59
Communication	693	0.08	3,244	0.39	2,772	0.33
Rural residential real estate	6,676	0.81	6,754	0.81	7,235	0.86
Total	$ 831,115	100.00 %	$ 830,645	100.00 %	$ 840,992	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 geographic distribution of the loan volume by branch/city for the past three years is as follows:

Branch	December 31, 2015	2014	2013
Cartersville	5.57%	5.53%	5.63%
Chatsworth	5.87	5.13	4.90
Clarkesville	3.57	3.55	3.61
Cordele	7.47	7.64	7.64
Dublin	5.80	5.17	4.96
Gainesville	4.39	4.56	4.89
Moultrie	4.42	4.65	4.21
Nashville	2.21	2.19	1.87
Ocilla	4.40	3.80	3.18
Perry	9.33	9.02	8.88
Quitman	3.39	3.62	3.37
Royston	12.43	13.19	14.15
Sandersville	5.23	5.87	5.96
Sylvester	2.95	3.30	3.48
Tifton	6.06	6.02	5.62
Washington	5.46	5.37	5.91
Waynesboro	4.30	3.78	3.43
Participations Purchased	4.15	4.13	2.00
Special Assets	3.00	3.48	6.31
	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 Poultry, Forestry, Cotton, and Row Crops, which constitute approximately 71 percent of the entire portfolio at December 31, 2015.

Commodity Group	December 31, 2015		2014		2013	
	(dollars in thousands)					
Poultry	$ 239,573	29%	$ 267,347	32%	$ 305,054	38%
Forestry	107,493	13	110,649	13	113,320	13
Cotton	138,435	17	138,336	17	128,238	15
Row Crops	97,193	12	92,334	11	84,956	10
Livestock	88,105	10	74,883	9	69,608	8
Horticulture	42,883	5	41,458	5	39,377	5
Landlords	27,811	3	26,992	3	28,842	3
Dairy	24,428	3	22,037	3	19,745	2
Peanuts	26,371	3	17,715	2	18,592	2
Rural Home	7,788	1	7,731	1	8,955	1
Other	31,035	4	31,163	4	24,305	3
Total	$ 831,115	100%	$ 830,645	100%	$ 840,992	100%

Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the income of borrowers that is not associated with farming. The Association's loan portfolio contains a concentration of poultry producers. Although a large percentage of the loan portfolio is concentrated in these enterprises, many of these operations have diversified income sources that reduce overall risk exposure. Demand for poultry products, prices of feed, energy, and other inputs, as well as international trade are some of the factors affecting the income producing capacity in the poultry industry. Even though the concentration of large loans has increased over the past several years, 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. Commodity concentration risk is also mitigated by the use of loan guarantees.

The slight increase in gross loan volume for the twelve months ended December 31, 2015, is primarily attributed to an increase in demand amid an improving economy and increased consumer confidence.

For the past few years, the Association has experienced a fairly balanced portfolio of long-term and short-term loan assets. The short-term portfolio, which is heavily influenced by operating-type loans, normally reaches a peak balance in August and rapidly declines in the fall months as commodities are marketed and proceeds are applied to repay operating type loans.

During 2015, the Association maintained activity in the buying and selling of loan participations within and outside of the System. This provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income, which may strengthen capital position.

Loan Participations:	December 31, 2015	2014	2013
	(dollars in thousands)		
Participations Purchased – FCS Institutions	$ 23,758	$ 20,996	$ 16,494
Participations Purchased – Non-FCS Institutions	378	421	447
Participations Sold	(79,304)	(32,995)	(32,286)
Total	$ (55,168)	$ (11,578)	$ (15,345)

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 for the period ended December 31, 2015.

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. Regulatory limits allow for real estate mortgage loans 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. 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	95.68%	94.77%	91.80%
Substandard	4.32%	5.23%	8.20%
Doubtful	–%	–%	–%
Loss	–%	–%	–%
Total	100.00%	100.00%	100.00%

Nonperforming Assets

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

High-risk Assets	December 31, 2015	2014	2013
	(dollars in thousands)		
Nonaccrual loans	$ 25,191	$ 29,003	$ 41,064
Restructured loans	14,856	12,029	11,943
Accruing loans 90 days past due	–	–	–
Total high-risk loans	40,047	41,032	53,007
Other property owned	2,342	8,269	7,345
Total high-risk assets	$ 42,389	$ 49,301	$ 60,352
Ratios			
Nonaccrual loans to total loans	3.03%	3.49%	4.88%
High-risk assets to total assets	4.84%	5.88%	7.11%

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 $3,812 or 13 percent in 2015. This decrease resulted from aggressive management of nonearning assets. Of the $25,191 in nonaccrual volume at December 31, 2015, $18,740 or 74 percent, compared to 54 percent and 39 percent at December 31, 2014 and 2013, respectively, was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status.

Other property owned decreased in 2015 from $8,269 to $2,342. The Association currently owns 2 properties foreclosed upon in 2014, and 1 foreclosed upon in 2011.

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

In the following table, 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 these classification revisions.

	Year Ended December 31,		
Allowance for Loan Losses Activity:	**2015**	**2014**	**2013**
	(dollars in thousands)		
Balance at beginning of year	$ 5,999	$ 10,575	$ 10,975
Charge-offs:			
Real estate mortgage	(168)	(1,981)	(2,274)
Production and intermediate-term	(705)	(3,584)	(3,422)
Agribusiness		(406)	(294)
Rural residential real estate	(12)	–	(5)
Total charge-offs	(885)	(5,971)	(5,995)
Recoveries:			
Real estate mortgage	508	545	497
Production and intermediate-term	1,183	953	626
Agribusiness	15	–	99
Other		–	–
Total recoveries	1,706	1,498	1,222
Net (charge-offs) recoveries	821	(4,473)	(4,773)
Provision for (reversal of allowance for) loan losses	(1,243)	(103)	4,373
Balance at end of year	$ 5,577	$ 5,999	$ 10,575
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	0.098%	(0.530)%	(0.534)%

The net loan recoveries were primarily associated with real estate and production and intermediate term loans and largely reflected full liquidations of nonaccrual loans that had balances previously charged off that were recovered in the course of liquidation.

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

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 these classification revisions.

	December 31,		
Allowance for Loan Losses by Type	**2015**	**2014**	**2013**
	(dollars in thousands)		
Real estate mortgage	$ 1,493	$ 1,587	$ 3,201
Production and intermediate-term	3,988	4,330	7,241
Agribusiness	74	45	101
Communication	–	4	4
Rural residential real estate	22	33	28
Total	$ 5,577	$ 5,999	$ 10,575

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	December 31,		
as a Percentage of:	**2015**	**2014**	**2013**
Total loans	0.67%	0.72%	1.26%
Nonperforming loans	13.93%	12.17%	17.52%
Nonaccrual loans	22.14%	20.68%	25.75%

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.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income was approximately $30 million, $31 million and $31 million 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 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	$ 183	$ (1,224)	$ (1,041)
Interest expense	352	(326)	26
Change in net interest income	$ 535	$ (1,550)	$ (1,015)
12/31/14 – 12/31/13			
Interest income	$ (1,327)	$ (2,350)	$ (3,677)
Interest expense	921	1,950	2,826
Change in net interest income	$ (406)	$ (445)	$ (851)

**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	$ 786	$ 847	$ 930	(7.20)%	(8.92)%
Fees for financially related services	21	22	54	(4.55)	(59.26)
Patronage refund from other Farm Credit Institutions	9,170	13,888	16,325	(33.97)	(14.93)
Gains (losses) on other property owned, net	1,010	(1,173)	(4,960)	(186.10)	(76.35)
Gains (losses) from sales of premises and equipment, net	99	75	128	32.00	(41.41)
Other noninterest income	160	150	551	6.67	(72.78)
Total noninterest income	$ 11,246	$ 13,809	$ 13,028	(18.56)%	5.99%

The majority of noninterest income is related to Patronage refunds from other Farm Credit Institutions. Noninterest income decreased 19 percent from 2014 to 2015 and increased 6 percent from 2013 to 2014. The decrease in 2015 is primarily related to lower patronage income from other Farm Credit Institutions, specifically a lower special patronage distribution from AgFirst Bank. The special patronage distribution received in 2015 was $4,164 compared to $7,816 in 2014. These are one time distributions of excess capital that are not considered to be recurring transactions. The amount of patronage refunds directly correlates to loan volume, as the largest patronage refund from other institutions is the patronage from AgFirst which is based on the average volume of notes payable to AgFirst. Notes payable to AgFirst directly corresponds to loan volume outstanding. Both the general patronage received each year from AgFirst and the Special Patronage received from AgFirst this year is based upon the average volume of notes payable to AgFirst.

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	$ 15,806	$ 15,677	$ 15,258	0.82%	2.75 %
Occupancy and equipment	1,012	1,053	1,037	(4.17)	1.83
Insurance Fund premiums	810	784	740	3.32	5.95
(Gains)/Losses on OPO, net	(1,010)	1,173	4,960	(186.10)	(76.35)
Other operating expense	4,746	4,667	3,866	6.25	15.55
Total noninterest expense	$ 21,364	$ 23,354	$ 25,861	(7.74)%	(10.46)%

Salaries and employee benefits increased in 2015, compared to 2014, as a result of increased benefit expenses. Insurance Fund premiums increased 3 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 assessed premium rate for 2015. The premiums assessed for 2015 were 13 basis points on average outstanding debt, compared to 12 basis points in 2014, and 10 basis points on the average principal balance outstanding on nonaccrual loans, which remained unchanged in 2015 compared to 2014.

After experiencing several years of losses on other property owned, in 2015 we began to see a stabilization of land values and due to a substantial gain on the sale of a large property, we recorded a net gain for the year of ($1,010).

Other operating expense is primarily related to advertising and marketing costs, training and travel costs, communications and data costs, and insurance costs associated with the operation of the Association such as General Liability, Fleet Auto, Blanket Bond, and Director's and Officer's Liability.

Income Taxes

The Association recorded an income tax provision of $16 for the year ended December 31, 2015, as compared to a provision of $26 for 2014 and a provision of $9 for 2013. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *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	**For the 12 Months Ended**		
Operations Comparisons	**2015**	**2014**	**2013**
Return on average assets	2.25%	2.52%	2.04%
Return on average members' equity	8.63%	10.11%	9.10%
Net interest income as a percentage of average earning assets	3.53%	3.63%	5.52%
Net (charge-offs) recoveries to average loans	0.098%	(0.530)%	(0.534)%

A key factor in the growth of net income for future years will be continued improvement in net interest and noninterest income. 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 economy must rebound and show sustained improvement, 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 $623,422 as compared to $636,993 at December 31, 2014 and $661,719 at December 31, 2013. The decrease of 2 percent and 4 percent compared to December 31, 2014 and December 31, 2013, respectively, directly corresponds to the level of loan volume of the Association. The average volume of outstanding notes payable to the Bank was $647,107, $651,625, and $718,988 for the years ended December 31, 2015, 2014, and 2013, respectively. Refer to Note 6, *Notes Payable to AgFirst Farm Credit Bank*, 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. 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 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 3 percent to $231,224 from the December 31, 2014 total of $225,317. At December 31, 2014 total members' equity increased 4 percent from the December 31, 2013 total of $215,906. These increases were primarily attributed to an increase in the amount of net income retained as unallocated surplus.

Total capital stock and participation certificates were $3,890 on December 31, 2015, compared to $3,801 on December 31, 2014 and $3,752 on December 31, 2013. The increase was attributed to a greater amount of stock issued than retired in the normal course of business.

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 are 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 standard 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	25.92%	25.02%	23.51%	7.00%
Total surplus ratio	25.46%	24.07%	23.07%	7.00%
Core surplus ratio	21.40%	20.92%	19.87%	3.50%

The increase in the Association's permanent capital, total surplus ratio, and core surplus ratio for December 31, 2015 and December 31, 2014 represents a greater percentage of income retained and surplus issued than surplus revolved. 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, and (b) participation loans purchased, 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 (current estimates) of $11,733 in 2015, $13,471 in 2014, and $8,948 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. The Association exceeded goals for both number and percentage of YBS loans in 2015.

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 23,748 reported farmers of which by definition 1,045 or 4.4 percent were Young, 4,719 or 19.9 percent were Beginning, and 19,994 or 84.2 percent were Small. Comparatively, as of December 31, 2015, the demographics of the Association's agricultural portfolio contained 4,059 farmers, of which by definition 637 or 16 percent were Young, 1,248 or 31 percent were Beginning and 2,761 or 68 percent were Small. Thus, Young and Beginning farmers are overall much better represented in the Association's agricultural portfolio than in the chartered territory of the Association, indicative of the Association's marketing efforts towards these groups. Small farmers, however, were recognized as being represented less in the Association portfolio than in the territory.

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	946	$100,144
Beginning	1,651	178,385
Small	4,044	299,375

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 Association focuses on education and financial support in helping YBS farmers finance their operations. Educational programs include seminars, speaking opportunities and training sessions, which are conducted throughout the year. These educational opportunities are both in-house, in the form of events held by the Association, and external, in which case, the Association provides a speaker or provides educational materials. The Association website, www.aggeorgia.com, includes an entire section of information and resources for YBS visitors to the site. Educational programs also include those activities in which the Association participates in local events as a sponsor (such as 4-H and FFA fairs) or as an exhibitor (such as industry or trade shows).

The focus on financial support addresses the specific credit programs and partnerships that the Association has developed to help small farmers, young farmers, and farmers just starting out. It includes programs such as those offered by the Farm Service Agency (FSA), which includes guaranteed and direct loans to qualifying borrowers. The Association is a "preferred lender," the highest status designated by FSA.

A senior executive oversees the YBS program and coordinates the efforts of other staff members. The Association includes YBS goals in the annual strategic plan, and reports on those goals and achievements to the Board of Directors on a quarterly basis.

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 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 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 Wall Street Reform and Consumer Protection Act (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 public comment period was to have ended on January 2, 2015. However, the FCA extended the deadline to allow interested parties additional time to submit comments. The comment period ended on February 16, 2015. 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.

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 (see *Additional Disclosure Required by Farm Credit Administration Regulations section* elsewhere in this Annual Report) 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. The rule will be effective 30 days after publication in the Federal Register during which time either one or both Houses of Congress are in session. System banks and associations must comply with the rule for compensation reported in the table for the fiscal year ending 2016, and may implement the rule retroactively for the fiscal years ended 2015 and 2014. However, retroactive application is not required. Retroactive application of the new provision requires no special permission from FCA as the rule itself contains this option. Disclosure of the change in calculation for the fiscal years to which the rule was applied retrospectively is required.

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 Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many more months or years.

The Dodd-Frank Act creates new regulators and expands the authority of the Federal Reserve Board over non-bank financial companies previously not subject to its or other bank regulators' direct jurisdiction, particularly those that are considered systemically important to the U.S. financial system. The legislation created the Financial Oversight Council, a coordinating body of financial regulators, which is designed to monitor and pinpoint systemic risks across the financial spectrum. Nevertheless, the Dodd-Frank Act largely preserves the authority of the FCA as the System's independent federal regulator by excluding System institutions from being considered non-bank financial companies and providing other exemptions and exclusions from certain of the law's provisions. Also, the rules prohibiting banking entities from engaging in proprietary trading under the so-called Volcker Rule do not apply to the debt securities issued by the System.

The provisions of the Dodd-Frank Act pertaining to the regulation of derivatives transactions require more of these transactions to be cleared through a third-party central clearinghouse and traded on regulated exchanges or other multilateral platforms, and margin is required for these transactions. Derivative transactions that will not be subject to mandatory trading and clearing requirements may also be subject to minimum margin and capital requirements. As required by the Dodd-Frank Act, the Commodity Futures Trading Commission (CFTC) considered and exempted System institutions from certain of these new requirements, including mandatory clearing for many of the derivative transactions entered into by System institutions.

The aforementioned margin requirements for transactions that are not cleared should not apply to swaps entered into by the banks in connection with loans to members. On January 12, 2015, the President signed the "Terrorism Risk Insurance Program Reauthorization Act of 2015" (the "TRIA Reauthorization Act") into law. Although primarily intended to renew a terrorism risk insurance program that was created in response to the September 11, 2001 attacks, the TRIA Reauthorization Act amends the Commodity Exchange Act to exempt swaps, for which a counterparty is a cooperative that qualifies for an exemption from mandatory clearing, from the Dodd-Frank Act's initial and variation margin requirements for swaps that are not cleared. As discussed above, the CFTC has established a clearing exemption for swaps entered into by cooperatives in connection with loans to members, for which all System institutions qualify. By virtue of this exemption, System Institutions should qualify for the TRIA Reauthorization Act's exemption from the Dodd-Frank Act's initial and variation margin requirements for non-cleared swaps that are entered into in connection with loans to members. The TRIA Reauthorization Act charges the CFTC with implementing the exemption from the margin requirements via the promulgation of an interim final rule, pursuant to which public comment must be sought before a final rule is issued. To date, the CFTC has not taken any action with respect to TRIA Reauthorization Act's margin exemption and thus it remains to be seen how the exemption will be implemented, including its scope and how it is to be claimed.

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.

These new 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.

After Congressional approval of the Agriculture Act of 2014, the president signed the bill into law on February 7, 2014. Major reforms to the 2008 Farm Bill include the following:

- Repeals Direct Payments and limits producers to risk management tools that offer protection when they suffer significant losses.
- Limits on payments are reduced, eligibility rules are tightened, and means tests are

streamlined to make farm programs more accountable.
- Strengthens crop insurance, a successful public/private partnership that ensures farmers invest in their own risk management.
- Provides historic reforms to dairy policy by repealing outdated and ineffective dairy programs. Offers producers a new, voluntary, margin protection program without imposing government-mandated supply controls.
- Reauthorizes and strengthens livestock disaster assistance.
- Supports small businesses and beginning farmers and ranchers with training and access to credit.

Additional reforms and regulatory relief include:

- Consolidates 23 duplicative and overlapping conservation programs into 13.
- Provides one year of full funding for the Payment In Lieu of Taxes (PILT) program, which provides funding for vital services in communities containing federal lands.
- Provides certainty to forest products industry by clarifying that forest roads should not be treated as a point source under the Clean Water Act.
- Creates a permanent subcommittee within the EPA Science Advisory Board to conduct peer review of EPA actions that would negatively impact agriculture.
- Eliminates duplicative reporting requirements for seed importers; requires improved economic analysis of FDA regulations.
- Fully funds specialty crop industry priorities such as Specialty Crop Block Grants.

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 has an interest in two Unincorporated Business Entities (UBEs) that were formed for the purpose of acquiring and managing collateral associated with loans in which the Association was a participant. The UBEs in which the Association has an interest in are as follows:

A-1 Ledges Wilder, LLC - A-1 Ledges Wilder, LLC is a Limited Liability Company. It was organized for the stated purpose of acquiring, holding, and preserving the former assets of J. J. Detweiler Enterprises, Inc. until such time as such assets may be sold.

A-1 Sequatchie Pointe, LLC - A-1 Sequatchie Pointe, LLC is a Limited Liability Company. It was organized for the stated purpose of acquiring, holding and preserving the former assets of J. J. Detweiler Enterprises, Inc. until such time as such assets may be sold.

Description of Property

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

Location	Description	Form of Ownership
1300 East Main Street Cartersville 30120	Branch	Owned
102 Blacksnake Road Clarkesville/Mt. Airy 30563	Branch	Owned
1207 South Greer Street Cordele 31015	Branch	Owned
19 Woodlake Drive Chatsworth 30705	Branch	Owned
826 Bellevue Avenue Dublin 31021	Branch	Owned
501 Broad Street Gainesville 30501	Branch	Owned
700 East Villanow LaFayette 30728	Outpost of Chatsworth Branch	Owned
317 Walnut Street Montezuma, GA	Outpost of Perry Branch	Leased*
22 5th Avenue, SE Moultrie 31768	Branch	Owned
707 North Davis Street Nashville 31639	Branch	Owned
302 South Cherry Street Ocilla 31774	Branch	Owned
468 Perry Parkway Perry 31069	Corporate Office & Branch	Owned
504 East Screven Street Quitman 31643	Branch	Owned
701 East Second Avenue Rome 30162	Outpost of Cartersville Branch	Leased**
675 Church Street Royston 30662	Branch	Owned
Hobbs Street Royston, GA	2.81 Acres in 1113th G.M. District, Hart Co.	Owned
775 Sparta Road Sandersville 31082	Branch	Owned
102 Dexter Wilson Blvd. Sylvester 31791	Branch	Owned
1807 King Road Tifton 31793	Branch	Owned
U.S. 78, 311 North Bypass Washington 30673	Branch	Owned
176 Highway 80 West Waynesboro 30830	Branch	Owned

**Lease for 5 years expiring in 2018 ($1,500/month); cancelable with 90 days notice.*

***Lease expires 06/01/2016 ($1900/month); cancelable with 90 days notice.*

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 intrasystem financial assistance rights 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:

Name and Title	Term of Office	Prior Experience	Other Business Interests
Jack C. Drew, Jr. President & Chief Executive Officer	1/1/2010-present		Serves as Director for Georgia Poultry Federation – Trade Organization
Marvin J. Moore, Jr. Executive Vice President & Chief Lending Officer	6/15/2009-present		
Carrie B. McCall Executive Vice President/Treasurer & Chief Financial Officer	11/16/2006 - present		
Stephen G. Connelly Executive Vice President & Director of Information Technology	12/1/2010-present		
Corey W. Cottle Executive Vice President & Director of Marketing	5/1/2013 – present	Branch Manager and Loan Officer since 2005	
Timothy H. Dean, Executive Vice President & Chief Appraiser	7/1/2011-present	Principal Appraiser and other positions since 1987	
John P. Lowry III Executive Vice President & Director of Risk Management & Controls	12/1/2010-present		
T. Lacy Royal Executive Vice President & Retail Lending Manager	4/1/2008-present		
Stephen M. Yearta Executive Vice President & Commercial Lending Manager	7/1/2009-present		

The total amount of compensation earned by the CEO and the senior 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
Jack C. Drew, Jr.	2015	$ 365,894	$ 73,176	$ –	$ (742)	$ 6,269	$ 444,597
Jack C. Drew, Jr.	2014	$ 319,012	$ 63,800	$ –	$ 442,848	$ 18,121	$ 843,781
Jack C. Drew, Jr.	2013	$ 290,000	$ 46,400	$ –	$ (65,213)	$ –	$ 271,187
8	2015	$ 1,163,545	$ 217,608	$ –	$ 347,769	$ 11,477	$ 1,740,399
8	2014	$ 1,070,641	$ 193,692	$ –	$ 1,523,618	$ 14,880	$ 2,802,831
9	2013	$ 926,435	$ 113,545	$ –	$ 59,393	$ 5,094	$ 1,104,467

* *Primarily comprised of group life insurance premiums, relocation expenses and automobile compensation.*

† *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 could implement the rule retroactively for the fiscal years ended 2014 and 2013. The Association applied the rule to 2014 and retroactively to 2013, but this application had no effect on the 2013 amounts as previously reported in the 2013 Annual Report.*

The 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 table above is available and will be disclosed to the shareholders of the institution upon request.

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:					
Jack C. Drew, Jr.	2015	AgFirst Retirement Plan	36	$ 2,462,626	$ –
	2015	Supplemental Executive Retirement Plan		–	–
	2015	Executive Retirement Plan		–	–
				$ 2,462,626	$ –
Senior Officers and Highly Compensated Employees:					
8 Officers, excluding the CEO	2015	AgFirst Retirement Plan	*24	$ 7,230,246	$ –
	2015	Supplemental Executive Retirement Plan		–	–
	2015	Executive Retirement Plan		–	–
				$ 7,230,246	$ –

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

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, 2015, 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.

CEO and Senior Officer Compensation

The Association strives to award compensation in a manner that is competitive in the market place, encourages retention and rewards employees for quantitative results-based performance metrics. Each year, the Compensation Committee reviews market studies for key positions to determine if the Association's compensation packages for the CEO and Senior Officers are in line with the market for those positions. A grading system ranks positions in pay ranges where the mid-point of the range is considered to be the market salary for that position.

The CEO's compensation package consists of a base salary, benefits and incentive opportunity. Compensation increases are awarded on an annual basis, and are based upon the association's financial performance in the areas of financial and operations, credit, audit, appraisal, marketing and business development and human resources. These metrics are determined by association performance standards set each year by the Board of Directors, and actual performance is measured against those standards. Financial and operations metrics include net income performance to budget, return on assets, return on equity, capital ratios and efficiency ratios. Metrics include credit quality, nonearning assets as a percentage of total assets, credit administration, delinquency ratio, and appraisal quality. Marketing and Development metrics include loan growth and results of an annual customer satisfaction survey, which are measured against the budget and standard set for those metrics. The human resources metric is budgeted personnel costs, and actual performance is measured against that budget amount. Performance versus metrics is measured annually and discussed each February by the Board Compensation Committee. Any salary increase for the CEO is determined by the Compensation Committee at this meeting, and any increase awarded is paid retroactively to January 1st.

The CEO administrates, but does not participate in the Incentive Plan in which all other employees, including the Senior Officers, participate. The CEO's incentive is determined solely at the discretion of the Board of Directors. Factors that may be considered in awarding the CEO an incentive are performance of the Association, and market studies of incentives granted by similar size associations and companies. CEO incentive is typically awarded by the Compensation Committee during the fourth quarter and paid in December. The incentive awarded the CEO in 2015 was paid in December at the same time other Association employees were paid per the stipulations in the Incentive Plan.

The Senior Officers' compensation also consists of base salary, benefits, and incentive. Senior Officer compensation is administered annually, and increases are based on meeting qualitative and quantitative performance standards set forth each year. Senior Officers are measured by essentially the same standards as the CEO. Actual performance against metrics such as return on assets, return on equity, capital ratios, credit quality, delinquency ratios, loan growth, credit administration and nonearning assets to total assets are the basis for determining pay increases for this group. Senior officer compensation is reviewed annually, and any increases are paid beginning January 31st, retroactively to January 1st. Senior Officers participate in the same incentive plan as other Association employees, as detailed below.

The Association's CEO and Senior Officers participate in various employee benefit plans that are available to all employees under the same terms and conditions. These include health insurance, life insurance, dental insurance, and pension benefits. Because the CEO and Senior Officers receive these benefits on the same basis as other employees, they are not determined separately by the Compensation Committee for the CEO and Senior Officers.

The Incentive Plan is based on a fiscal year and is designed to motivate employees to exceed performance targets established by the Board of Directors. The Incentive Plan period is January 1, 2015 through December 31, 2015, and all employees eligible for benefits were eligible under this plan except as shown below.

- ❖ The Association CEO will administer all parts of the AgGeorgia Incentive Plan and will, therefore, not be eligible for distributions under any part of the plan. CEO bonus and/or incentive payments will be recommended by the Compensation Committee and approved by the Board of Directors.
- ❖ A combined payment to an individual employee under the plan shall not exceed 20% of regular pay (including any retroactive pay and overtime pay).

The profit sharing portion of the plan provides a means to allow Association employees to share in the net earnings of the Association to the extent that certain key financial and performance goals are exceeded. Individual payout under the profit sharing portion of the plan shall not exceed 10% of the regular pay for the calendar year 2015, and the amount is determined by meeting ROA, capital, nonearning asset and credit quality targets. The branch incentive portion of the plan is intended to motivate branch teams to increase the Association's profitability while maintaining high levels of credit quality and credit administration. Incentive relating to this portion of the plan is calculated separately for each branch team and distributed to all eligible employees in that branch as an equal percentage of their base salaries, and corporate employees not assigned to a branch will receive the weighted average of all the branches combined. Individual payout under the branch incentive portion of the plan shall not exceed 10% of the regular pay for the calendar year 2015.

All employees and senior officers are eligible for the same incentive percentage of 20% and are subject to the same criteria.

The board approved 75% of the estimated benefit to be paid out in November with the remainder paid during January 2016 when final numbers are calculated.

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.

Directors

The following chart details the year the director began serving on the board and the current term of expiration:

DIRECTOR	ORIGINAL YEAR OF ELECTION OR APPOINTMENT	CURRENT TERM EXPIRATION
J. Dan Raines, Jr., ***Chairman***	1981	2016
Robert "Bobby" G. Miller, ***Vice Chairman***	1991	2017
Edward M. Beckham, II	1978	2016
Jack W. Bentley, Jr.	1985	2015*
W. Howard Brown	2015	2017
James B. Carlton	1977	2017**
Billy J. Clary	1986	2016
Dan N. Crumpton	1987	2017
Guy A. Daughtrey	2001	2016
Howard Lawson	1974	2015***
Ronney S. Ledford	1986	2017
Joseph M. Meeks	1989	2017
Richard D. "Dave" Neff, *Outside Director*	2002	2017
George R. Reeves	1982	2015*
Anne G. Smith	2001	2017
David H. Smith	1991	2016
Glee C. Smith, *Outside Director*	2013	2016
Franklin B. Wright	1991	2016

**Director re-elected to a three year term expiring 2018.*
***Director retired from board 3/31/2015-position abolished.*
****Director retired from board 12/31/2015-position abolished.*

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.

J. Dan Raines, Jr., Chairman, is involved in production agriculture consisting of beef cattle and timber. He serves as a director of the Ashburn Housing Authority (public housing).

Robert (Bobby) G. Miller, Vice Chairman, is a commercial beef cattle farmer and manages rental properties and real estate. He serves on the board of H. R. Miller, LLC, Jan-Ann Rob, LLC, RGM Foothills Property, LLC, and Jebeha, LLC (commercial and residential rentals and real estate) as manager. Mr. Miller is the Association's Financial Expert appointed by the Board.

Edward M. Beckham, II, is a partner in a general row crop farming operation and is a real estate developer.

Jack W. Bentley, Jr., is owner/operator of A & J Dairy. He also serves on the board of directors of the AgFirst Farm Credit Bank (cooperative banking services); the American Dairy Association of Georgia (trade association and promotion of milk products); the Southeast United Dairy Industry Association (trade association and promotion of milk products), the Wilkes County Farm Bureau (insurance sales and farm commodities), Lonestar Milk Producers (milk production), and the USDA Farm Service Agency (government farm agency).

W. Howard Brown is a general row crop farmer growing vegetables, and manages a peach and pecan operation. He also serves as chairman of the Macon County Zoning Commission (development, planning and zoning), and is a director for Macon County Farm Bureau (insurance sales and farm commodities).

James B. Carlton retired from the board on 3/31/2015.

Billy J. Clary is a general row crop farmer growing cotton, peanuts and wheat.

Dan N. Crumpton has a forestry operation consisting of pine and softwood timber, is a consulting forester with Forest & Land Services, Inc. and Timberland Sales, Inc., and is a real estate broker. He also serves on the board of directors of the Warren County Soil and Water District (conservation of natural resources) and as a district supervisor.

Guy A. Daughtrey has a pecan operation and is a pine and softwood timber famer. He serves on the board of directors of the Wiregrass Technical College (post-secondary education).

Howard Lawson retired from the board 12/31/2015.

Ronney S. Ledford is a general row crop farmer and grows cotton and peanuts.

Joseph Marion Meeks is a beef cattle farmer. He serves as a director of Washington County Farm Bureau (insurance sales and farm commodities).

Richard D. "Dave" Neff, Outside Director, is a poultry industry executive and is employed with International Poultry Breeders/Wincorp International, Inc.

George R. Reeves has a cow/calf operation and is a pine and softwood timber farmer. He also serves on the boards of the McDuffie County Farm Bureau (insurance sales/agricultural products and promotion), the McDuffie County Soil and Water Conservation District (conservation of natural resources), and as chairman of the McDuffie, Warren, Columbia and Richmond FSA Committee (government farm programs).

Anne G. Smith is a broiler grower and owns a cow-calf operation.

David H. Smith is owner/operator of Smith Farms (general row crops), Tri County Gin, LLC (cotton ginning/processing), and Carroll Fertilizer, LLC (commercial and residential fertilizer products).

Glee C. Smith, Outside Director, is an attorney, and former legislative director and counsel for Senator Johnny Isakson (2010-2011). She is owner/president of GCS Enterprises, Inc. (rental property) and Glee Smith Ventures, LLC – DBA Glee's Closet (retail).

Franklin B. Wright raises dairy replacement heifers, has a beef and hog operation, and works in agri-tourism. He serves on the board of directors of the Gilmer County Farm Bureau (insurance sales and farm commodities).

Director Compensation

Subject to approval by the board, the Association may allow directors honoraria of $500 for attendance at meetings, committee meetings, or special assignments. They are also paid $100 for participating in conference calls. Directors are paid a quarterly retainer fee of $500 except for the chairman of the board who receives $750. Total compensation paid to directors as a group was $358,200 for 2015, compared to $312,075 for 2014. No director received more than $5,000 in non-cash compensation during the year.

The following chart details the number of meetings, other activities and additional compensation paid for other activities (if applicable) for each director:

Name of Director	Days Served: Regular Board Meetings	Days Served: Other Official Activities*	Committee Assignments	Comp. Paid for other Activities*	Qtrly Retainer and Regular Meeting Compensation	Total Compensation for 2015
J. Dan Raines, Jr., ***Chairman***	9	41	Executive, Credit Review, Credit Risk, Audit, Compensation, Governance, Ad Hoc	$19,700	$8,000	$27,700
Robert G. Miller, ***Vice-Chairman***	9	33	Executive, Credit Review, Audit, Credit Risk	$15,700	$7,000	$22,700
Edward M. Beckham, II	9	18	Executive, Credit Review, Audit	$8,200	$7,000	$15,200
Jack W. Bentley, Jr.	8	17	Executive, Credit Review, Governance	$8,500	$6,500	$15,000
W. Howard Brown	8	27	Executive, Credit Review, Governance	$13,500	$6,500	$20,000
James B. Carlton	2	3	Executive, Credit Review, Compensation	$1,500	$2,000	$3,500
Billy J. Clary	8	17	Executive, Credit Review, Compensation	$8,500	$6,500	$15,000
Dan N. Crumpton	9	25	Executive, Credit Review, Audit, Ad Hoc	$11,700	$7,000	$18,700
Guy A. Daughtrey	9	39	Executive, Credit Review, Credit Risk, Governance, Ad Hoc	$19,500	$7,000	$26,500
Howard Lawson	9	38	Executive, Credit Review, Compensation	$19,000	$7,000	$26,000
Ronney S. Ledford	9	26	Executive, Credit Review, Credit Risk	$13,000	$7,000	$20,000
Joseph M. Meeks	9	29	Executive, Credit Review, Audit	$13,700	$7,000	$20,700
Richard D. “Dave” Neff *Outside Director*	9	24	Executive, Credit Review, Credit Risk, Ad Hoc	$12,000	$7,000	$19,000
George R. Reeves	9	31	Executive, Credit Review, Audit	$14,700	$6,500	$21,200
Anne G. (Sisk) Smith	7	32	Executive, Credit Review, Compensation, Ad Hoc	$16,000	$6,000	$22,000
David H. Smith	7	13	Executive, Credit Review, Governance	$6,500	$6,000	$12,500
Glee C. Smith *Outside Director*	9	38	Executive, Credit Review, Governance, Ad Hoc	$19,000	$7,000	$26,000
Franklin B. Wright	9	39	Executive, Credit Review, Compensation, Credit Risk	$19,500	$7,000	$26,500
						$358,200

**Includes board committee meetings and other board activities other than regular board meetings*

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 expense 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 $162,341 for 2015, $153,465 for 2014 and $196,654 for 2013.

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 incurred by the Association for services rendered by its independent certified public accountant for the year ended December 31, 2015 were as follows:

	2015
Independent Certified Public Accountant	
PricewaterhouseCoopers LLP	
Audit services	$ 63,867
Total	$ 63,867

Audit fees were for the annual audit of the Consolidated Financial Statements. There were no nonaudit services provided by the Association’s independent certified public accountant during 2015. All nonaudit service fees incurred by the Association require approval by the Audit Committee.

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 800-868-6404, Ext. 120 or writing Carrie B. McCall, Chief Financial Officer, P.O. Box 1820, Perry, GA 31069 or accessing the web site, www.aggeorgia.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.

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 AgGeorgia Farm Credit (Association) 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 accountant 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.

Robert G. Miller
Chairman of the Audit Committee

Members of Audit Committee

Edward M. Beckham, II
Dan N. Crumpton
Joseph M. Meeks
George R. Reeves

March 10, 2016

Report of Independent Certified Public Accountants

To the Board of Directors and Members of
AgGeorgia Farm Credit, ACA

We have audited the accompanying consolidated financial statements of AgGeorgia Farm Credit, 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 AgGeorgia Farm Credit, 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)	December 31, 2015	2014	2013
Assets			
Cash	**$ 445**	$ 80	$ 1,304
Loans	**831,115**	830,645	840,992
Allowance for loan losses	**(5,577)**	(5,999)	(10,575)
Net loans	**825,538**	824,646	830,417
Loans held for sale	**517**	—	—
Accrued interest receivable	**11,064**	11,054	10,920
Investments in other Farm Credit institutions	**9,564**	10,070	13,474
Premises and equipment, net	**7,318**	7,381	7,619
Other property owned	**2,342**	8,269	7,345
Accounts receivable	**9,373**	14,115	16,028
Other assets	**8,980**	8,440	9,607
Total assets	**$ 875,141**	$ 884,055	$ 896,714
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 623,422**	$ 636,993	$ 661,719
Accrued interest payable	**1,310**	1,267	1,412
Patronage refunds payable	**4,232**	4,474	2,921
Accounts payable	**1,857**	1,274	984
Other liabilities	**13,096**	14,731	13,772
Total liabilities	**643,917**	658,739	680,808
Commitments and contingencies (Note 11)			
Members' Equity			
Protected borrower stock	**1**	5	8
Capital stock and participation certificates	**3,889**	3,796	3,744
Retained earnings			
Allocated	**93,387**	95,454	94,741
Unallocated	**134,084**	126,220	117,487
Accumulated other comprehensive income (loss)	**(137)**	(159)	(74)
Total members' equity	**231,224**	225,316	215,906
Total liabilities and members' equity	**$ 875,141**	$ 884,055	$ 896,714

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	**$ 44,556**	$ 45,597	$ 49,274
Interest Expense			
Notes payable to AgFirst Farm Credit Bank	**14,956**	14,981	17,807
Net interest income	**29,600**	30,616	31,467
Provision for (reversal of allowance for) loan losses	**(1,243)**	(103)	4,373
Net interest income after provision for (reversal of allowance for) loan losses	**30,843**	30,719	27,094
Noninterest Income			
Loan fees	**786**	847	915
Fees for financially related services	**21**	22	54
Patronage refunds from other Farm Credit institutions	**9,170**	13,888	16,324
Gains (losses) on sales of premises and equipment, net	**99**	75	95
Gains (losses) on other transactions	**(1)**	15	33
Other noninterest income	**162**	145	552
Total noninterest income	**10,237**	14,992	17,973
Noninterest Expense			
Salaries and employee benefits	**15,806**	15,677	15,258
Occupancy and equipment	**1,012**	1,053	1,037
Insurance Fund premiums	**810**	784	740
(Gains) losses on other property owned, net	**(1,010)**	1,173	4,960
Other operating expenses	**4,746**	4,667	3,866
Total noninterest expense	**21,364**	23,354	25,861
Income before income taxes	**19,716**	22,357	19,206
Provision for income taxes	**16**	26	9
Net income	**$ 19,700**	$ 22,331	$ 19,197

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	**$ 19,700**	$ 22,331	$ 19,197
Other comprehensive income net of tax			
Employee benefit plans adjustments	**22**	(85)	32
Comprehensive income	**$ 19,722**	$ 22,246	$ 19,229

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	$ 33	$ 3,889	$ 89,580	$ 107,979	$ (106)	$ 201,375
Comprehensive income				19,197	32	19,229
Protected borrower stock issued/(retired), net	(25)					(25)
Capital stock/participation certificates issued/(retired), net		(145)				(145)
Patronage distribution						
Cash				(2,684)		(2,684)
Qualified allocated retained earnings			6,264	(6,264)		—
Retained earnings retired			(1,810)			(1,810)
Patronage distribution adjustment			707	(741)		(34)
Balance at December 31, 2013	$ 8	$ 3,744	$ 94,741	$ 117,487	$ (74)	$ 215,906
Comprehensive income				22,331	(85)	22,246
Protected borrower stock issued/(retired), net	(3)					(3)
Capital stock/participation certificates issued/(retired), net		52				52
Patronage distribution						
Cash				(4,040)		(4,040)
Qualified allocated retained earnings			9,428	(9,428)		—
Retained earnings retired			(8,801)			(8,801)
Patronage distribution adjustment			86	(130)		(44)
Balance at December 31, 2014	$ 5	$ 3,796	$ 95,454	$ 126,220	$ (159)	$ 225,316
Comprehensive income				**19,700**	**22**	**19,722**
Protected borrower stock issued/(retired), net	**(4)**					**(4)**
Capital stock/participation certificates issued/(retired), net		**93**				**93**
Patronage distribution						
Cash				**(3,520)**		**(3,520)**
Qualified allocated retained earnings			**8,213**	**(8,213)**		**—**
Retained earnings retired			**(10,348)**			**(10,348)**
Patronage distribution adjustment			**68**	**(103)**		**(35)**
Balance at December 31, 2015	**$ 1**	**$ 3,889**	**$ 93,387**	**$ 134,084**	**$ (137)**	**$ 231,224**

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	**$ 19,700**	$ 22,331	$ 19,197
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**603**	619	633
Amortization (accretion) of net deferred loan costs (fees)	**(314)**	(323)	(344)
Provision for (reversal of allowance for) loan losses	**(1,243)**	(103)	4,373
(Gains) losses on other property owned	**(1,139)**	599	4,578
(Gains) losses on sales of premises and equipment, net	**(99)**	(75)	(95)
(Gains) losses on other transactions	**1**	(15)	(33)
Changes in operating assets and liabilities:			
Origination of loans held for sale	**(3,001)**	—	—
Proceeds from sales of loans held for sale, net	**2,484**	—	—
(Increase) decrease in accrued interest receivable	**(10)**	(134)	552
(Increase) decrease in accounts receivable	**4,742**	1,913	(7,021)
(Increase) decrease in other assets	**(540)**	1,167	(182)
Increase (decrease) in accrued interest payable	**43**	(145)	(273)
Increase (decrease) in accounts payable	**583**	290	(206)
Increase (decrease) in other liabilities	**(1,515)**	504	(549)
Total adjustments	**595**	4,297	1,433
Net cash provided by (used in) operating activities	**20,295**	26,628	20,630
Cash flows from investing activities:			
Net (increase) decrease in loans	**466**	(1,560)	68,248
(Increase) decrease in investment in other Farm Credit institutions	**506**	3,404	3,154
Purchases of premises and equipment	**(541)**	(415)	(297)
Proceeds from sales of premises and equipment	**100**	109	95
Proceeds from sales of other property owned	**7,166**	6,619	9,378
Net cash provided by (used in) investing activities	**7,697**	8,157	80,578
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**(13,571)**	(24,726)	(98,262)
Protected borrower stock retired	**(4)**	(3)	(25)
Capital stock and participation certificates issued/(retired), net	**93**	52	(145)
Patronage refunds and dividends paid	**(3,797)**	(2,531)	(1,033)
Retained earnings retired	**(10,348)**	(8,801)	(1,810)
Net cash provided by (used in) financing activities	**(27,627)**	(36,009)	(101,275)
Net increase (decrease) in cash	**365**	(1,224)	(67)
Cash, beginning of period	**80**	1,304	1,371
Cash, end of period	**$ 445**	$ 80	$ 1,304
Supplemental schedule of non-cash activities:			
Financed sales of other property owned	**$ 506**	$ 1,491	$ 1,834
Receipt of property in settlement of loans	**705**	9,248	12,468
Estimated cash dividends or patronage distributions declared or payable	**3,520**	4,040	2,684
Employee benefit plans adjustments (Note 9)	**(22)**	85	(32)
Supplemental information:			
Interest paid	**$ 14,913**	$ 15,126	$ 18,080
Taxes (refunded) paid, net	**7**	40	14

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**: AgGeorgia Farm Credit, ACA (Association or *Ag*Georgia) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the counties of Baldwin, Banks, Barrow, Bartow, Ben Hill, Berrien, Bibb, Bleckley, Brooks, Burke, Catoosa, Chattooga, Cherokee, Clarke, Cobb, Colquitt, Columbia, Cook, Crawford, Crisp, Dade, Dawson, Dodge, Dooly, Echols, Elbert, Fannin, Floyd, Forsyth, Franklin, Gilmer, Glascock, Gordon, Habersham, Hall, Hancock, Hart, Houston, Irwin, Jackson, Jefferson, Johnson, Jones, Lanier, Laurens, Lincoln, Lowndes, Lumpkin, Macon, Madison, McDuffie, Murray, Oglethorpe, Paulding, Peach, Pickens, Polk, Pulaski, Rabun, Richmond, Stephens, Taliaferro, Taylor, Telfair, Tift, Towns, Treutlen, Turner, Twiggs, Union, Walker, Warren, Washington, White, Whitfield, Wilcox, Wilkes, Wilkinson and Worth in the state of Georgia.

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.

   As of December 31, 2015 there were $517 loans 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.

   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 $218, 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 taxable 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	$ 413,221	$ 7,190	$ 420,411
Production and intermediate-term	385,232	(6,568)	378,664
Processing and marketing	14,102	–	14,102
Farm-related business	7,031	440	7,471
Communication	3,244	-	3,244
Rural residential real estate	7,815	(1,062)	6,753
Total Loans	$ 830,645	$ –	$ 830,645

	December 31, 2013		
(dollars in thousands)	**As Previously Reported**	**Adjustment**	**As Revised**
Real estate mortgage	$ 413,890	$ 3,760	$ 417,650
Production and intermediate-term	398,987	(3,331)	395,656
Loans to cooperatives	23	–	23
Processing and marketing	12,671	–	12,671
Farm-related business	4,510	475	4,985
Communication	2,772	–	2,772
Rural residential real estate	8,139	(904)	7,235
Total Loans	$ 840,992	$ -	$ 840,992

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	$ 419,500	$ 420,411	$ 417,650
Production and intermediate-term	378,123	378,664	395,656
Loans to cooperatives	–	–	23
Processing and marketing	20,870	14,102	12,671
Farm-related business	5,253	7,470	4,985
Communication	693	3,244	2,772
Rural residential real estate	6,676	6,754	7,235
Total Loans	$ 831,115	$ 830,645	$ 840,992

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	$ 3,055	$ –	$ 1,259	$ –	$ –	$ –	$ 4,314	$ –
Production and intermediate-term	4,864	31,331	–	–	378	–	5,242	31,331
Processing and marketing	11,780	47,338	–	–	–	–	11,780	47,338
Farm-related business	2,107	635	–	–	–	–	2,107	635
Communication	693	–	–	–	–	–	693	–
Total	$ 22,499	$ 79,304	$ 1,259	$ –	$ 378	$ –	$ 24,136	$ 79,304

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	$ 2,667	$ 6,861	$ –	$ –	$ –	$ –	$ 2,667	$ 6,861
Production and intermediate-term	3,502	24,367	–	–	421	–	3,923	24,367
Processing and marketing	9,367	–	–	–	–	–	9,367	–
Farm-related business	2,217	1,767	–	–	–	–	2,217	1,767
Communication	3,243	–	–	–	–	–	3,243	–
Total	$ 20,996	$ 32,995	$ –	$ –	$ 421	$ –	$ 21,417	$ 32,995

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	$ 2,834	$ 21,569	$ –	$ –	$ –	$ –	$ 2,834	$ 21,569
Production and intermediate-term	4,948	9,217	–	–	446	–	5,394	9,217
Processing and marketing	5,938	–	–	–	–	–	5,938	–
Farm-related business	–	1,500	–	–	–	–	–	1,500
Communication	2,775	–	–	–	–	–	2,775	–
Total	$ 16,495	$ 32,286	$ –	$ –	$ 446	$ –	$ 16,941	$ 32,286

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	$ 15,206	$ 74,416	$ 329,878	$ 419,500
Production and intermediate term	119,194	162,117	96,812	378,123
Processing and marketing	3,011	12,486	5,373	20,870
Farm-related business	1,416	3,189	648	5,253
Communication	–	693	–	693
Rural residential real estate	145	1,349	5,182	6,676
Total Loans	$ 138,972	$ 254,250	$ 437,893	$ 831,115
Percentage	16.72%	30.59%	52.69%	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	92.49%	91.74%	88.81%
OAEM	5.19	4.69	6.48
Substandard/doubtful/loss	2.32	3.57	4.71
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	87.20%	84.88%	77.56%
OAEM	5.91	7.65	10.03
Substandard/doubtful/loss	6.89	7.47	12.41
	100.00%	100.00%	100.00%
Loans to cooperatives:			
Acceptable	–%	–%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	–%	–%	100.00%
Processing and marketing:			
Acceptable	100.00%	100.00%	95.63%
OAEM	–	–	4.37
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%

	December 31,		
	2015	2014 (as revised)	2013 (as revised)
Farm-related business:			
Acceptable	100.00%	100.00%	76.96%
OAEM	–	–	23.00
Substandard/doubtful/loss	–	–	0.04
	100.00%	100.00%	100.00%
Communication:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	98.73%	94.88%	93.15%
OAEM	0.46	3.00	3.47
Substandard/doubtful/loss	0.81	2.12	3.38
	100.00%	100.00%	100.00%
Total Loans:			
Acceptable	90.37%	88.89%	83.63%
OAEM	5.31	5.88	8.17
Substandard/doubtful/loss	4.32	5.23	8.20
	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	$ 958	$ 1,391	$ 2,349	$ 423,030	$ 425,379	$ –
Production and intermediate-term	818	4,304	5,122	378,015	383,137	–
Processing and marketing	–	–	–	20,983	20,983	–
Farm-related business	–	–	–	5,287	5,287	–
Communication	–	–	–	693	693	–
Rural residential real estate	113	–	113	6,587	6,700	–
Total	$ 1,889	$ 5,695	$ 7,584	$ 834,595	$ 842,179	$ –

	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	$ 3,235	$ 2,370	$ 5,605	$ 420,901	$ 426,506	$ –
Production and intermediate-term	870	8,554	9,424	374,018	383,442	–
Processing and marketing	–	–	–	14,219	14,219	–
Farm-related business	–	–	–	7,507	7,507	–
Communication	–	–	–	3,247	3,247	–
Rural residential real estate	76	49	125	6,653	6,778	–
Total	$ 4,181	$ 10,973	$ 15,154	$ 826,545	$ 841,699	$ –

	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	$ 4,301	$ 4,801	$ 9,102	$ 414,526	$ 423,628	$ –
Production and intermediate-term	7,326	12,341	19,667	380,712	400,379	–
Loans to cooperatives	–	–	–	23	23	–
Processing and marketing	–	–	–	12,792	12,792	–
Farm-related business	–	2	2	5,048	5,050	–
Communication	–	–	–	2,775	2,775	–
Rural residential real estate	492	73	565	6,700	7,265	–
Total	$ 12,119	$ 17,217	$ 29,336	$ 822,576	$ 851,912	$ –

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	$ 8,769	$ 10,708	$ 14,063
Production and intermediate-term	16,395	18,204	26,887
Processing and marketing	1	–	–
Farm-related business	–	–	2
Rural residential real estate	26	91	112
Total	$ 25,191	$ 29,003	$ 41,064
Accruing restructured loans:			
Real estate mortgage	$ 6,169	$ 2,079	$ 1,367
Production and intermediate-term	8,687	9,950	10,576
Rural residential real estate	–	–	–
Total	$ 14,856	$ 12,029	$ 11,943
Accruing loans 90 days or more past due:			
Total	$ –	$ –	$ –
Total nonperforming loans	$ 40,047	$ 41,032	$ 53,007
Other property owned	2,342	8,269	7,345
Total nonperforming assets	$ 42,389	$ 49,301	$ 60,352
Nonaccrual loans as a percentage of total loans	3.03%	3.49%	4.88%
Nonperforming assets as a percentage of total loans and other property owned	5.09%	5.88%	7.11%
Nonperforming assets as a percentage of capital	18.33%	21.88%	27.95%

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	$ 18,740	$ 15,705	$ 15,910
Past due	6,451	13,298	25,154
Total	25,191	29,003	41,064
Impaired accrual loans:			
Restructured	14,856	12,029	11,943
Total	14,856	12,029	11,943
Total impaired loans	$ 40,047	$ 41,032	$ 53,007
Additional commitments to lend	$ –	$ –	$ 7

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

Impaired Loans	December 31, 2015 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2015 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 1,644	$ 1,999	$ 241	$ 1,701	$ 62
Production and intermediate-term	4,242	5,134	778	4,389	159
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Rural residential real estate	–	–	–	–	–
Total	$ 5,886	$ 7,133	$ 1,019	$ 6,090	$ 221
With no related allowance for credit losses:					
Real estate mortgage	$ 13,294	$ 14,807	$ –	$ 13,754	$ 498
Production and intermediate-term	20,840	27,385	–	21,562	782
Processing and marketing	1	482	–	1	–
Farm-related business	–	–	–	–	–
Rural residential real estate	26	48	–	27	1
Total	34,161	42,722	–	$ 35,344	$ 1,281
Total:					
Real estate mortgage	$ 14,938	$ 16,806	$ 241	$ 15,455	$ 560
Production and intermediate-term	25,082	32,519	778	25,951	941
Processing and marketing	1	482	–	1	–
Farm-related business	–	–	–	–	–
Rural residential real estate	26	48	–	27	1
Total	$ 40,047	$ 49,855	$ 1,019	$ 41,434	$ 1,502

Impaired Loans	December 31, 2014 (as revised) Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2014 (as revised) Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 2,962	$ 3,571	$ 356	$ 3,441	$ 109
Production and intermediate-term	7,826	10,401	1,307	9,091	289
Farm-related business	–	–	–	–	–
Rural residential real estate	49	60	2	57	2
Total	$ 10,837	$ 14,032	$ 1,665	$ 12,589	$ 400
With no related allowance for credit losses:					
Real estate mortgage	$ 9,825	$ 12,396	$ –	$ 11,413	$ 362
Production and intermediate-term	20,328	25,710	–	23,615	750
Farm-related business	–	394	–	–	–
Rural residential real estate	42	60	–	49	1
Total	$ 30,195	$ 38,560	$ –	$ 35,077	$ 1,113
Total:					
Real estate mortgage	$ 12,787	$ 15,967	$ 356	$ 14,854	$ 471
Production and intermediate-term	28,154	36,111	1,307	32,706	1,039
Farm-related business	–	394	–	–	–
Rural residential real estate	91	120	2	106	3
Total	$ 41,032	$ 52,592	$ 1,665	$ 47,666	$ 1,513

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	$ 4,824	$ 4,948	$ 1,168	$ 5,855	$ 175
Production and intermediate-term	19,984	25,620	4,095	24,254	723
Farm-related business	–	–	–	–	–
Rural residential real estate	50	60	4	61	2
Total	$ 24,858	$ 30,628	$ 5,267	$ 30,170	$ 900
With no related allowance for credit losses:					
Real estate mortgage	$ 10,606	$ 15,062	$ –	$ 12,872	$ 384
Production and intermediate-term	17,479	20,794	–	21,214	633
Farm-related business	2	705	–	2	–
Rural residential real estate	62	75	–	75	2
Total	$ 28,149	$ 36,636	$ –	$ 34,163	$ 1,019
Total:					
Real estate mortgage	$ 15,430	$ 20,010	$ 1,168	$ 18,727	$ 559
Production and intermediate-term	37,463	46,414	4,095	45,468	1,356
Farm-related business	2	705	–	2	–
Rural residential real estate	112	135	4	136	4
Total	$ 53,007	$ 67,264	$ 5,267	$ 64,333	$ 1,919

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	$ 3,119	$ 3,471	$ 4,580
Less: interest income recognized	1,501	1,511	1,919
Foregone interest income	$ 1,618	$ 1,960	$ 2,661

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 2013 and balances as of December 31, 2014, 2013, and 2012 are presented as revised):

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Rural Residential Real Estate	Total
Activity related to the allowance for credit losses:						
Balance at December 31, 2014	$ 1,587	$ 4,331	$ 44	$ 4	$ 33	$ 5,999
Charge-offs	(168)	(705)	–	–	(12)	(885)
Recoveries	508	1,182	16	–	–	1,706
Provision for loan losses	(456)	(798)	14	(4)	1	(1,243)
Loan type reclassification	22	(22)	–	–	–	–
Balance at December 31, 2015	$ 1,493	$ 3,988	$ 74	$ –	$ 22	$ 5,577
Balance at December 31, 2013	$ 3,201	$ 7,241	$ 101	$ 4	$ 28	$ 10,575
Charge-offs	(1,981)	(3,583)	(407)	–	–	(5,971)
Recoveries	545	953	–	–	–	1,498
Provision for loan losses	(178)	(280)	350	–	5	(103)
Balance at December 31, 2014	$ 1,587	$ 4,331	$ 44	$ 4	$ 33	$ 5,999
Balance at December 31, 2012	$ 3,901	$ 6,686	$ 370	$ –	$ 19	$ 10,976
Charge-offs	(2,274)	(3,422)	(294)	–	(5)	(5,995)
Recoveries	497	626	98	–	–	1,221
Provision for loan losses	1,077	3,351	(73)	4	14	4,373
Balance at December 31, 2013	$ 3,201	$ 7,241	$ 101	$ 4	$ 28	$ 10,575
Allowance on loans evaluated for impairment:						
Individually	$ 241	$ 778	$ –	$ –	$ –	$ 1,019
Collectively	1,252	3,210	74	–	22	4,558
Balance at December 31, 2015	$ 1,493	$ 3,988	$ 74	$ –	$ 22	$ 5,577
Individually	$ 355	$ 1,308	$ –	$ –	$ 2	$ 1,665
Collectively	1,232	3,023	44	4	31	4,334
Balance at December 31, 2014	$ 1,587	$ 4,331	$ 44	$ 4	$ 33	$ 5,999
Individually	$ 1,168	$ 4,095	$ –	$ –	$ 4	$ 5,267
Collectively	2,033	3,146	101	4	24	5,308
Balance at December 31, 2013	$ 3,201	$ 7,241	$ 101	$ 4	$ 28	$ 10,575
Recorded investment in loans evaluated for impairment:						
Individually	$ 16,103	$ 25,082	$ 1	$ –	$ 26	$ 41,212
Collectively	409,276	358,055	26,269	693	6,674	800,967
Balance at December 31, 2015	$ 425,379	$ 383,137	$ 26,270	$ 693	$ 6,700	$ 842,179
Individually	$ 12,823	$ 28,733	$ –	$ –	$ 91	$ 41,647
Collectively	413,683	354,708	21,727	3,247	6,687	800,052
Balance at December 31, 2014	$ 426,506	$ 383,441	$ 21,727	$ 3,247	$ 6,778	$ 841,699
Individually	$ 15,760	$ 37,133	$ 2	$ –	$ 112	$ 53,007
Collectively	407,971	363,149	17,859	2,774	7,152	798,905
Balance at December 31, 2013	$ 423,731	$ 400,282	$ 17,861	$ 2,774	$ 7,264	$ 851,912

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following 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	$ –	$ 3,985	$ –	$ 3,985	
Production and intermediate-term	–	12,197	–	12,197	
Processing and marketing	–	489	–	489	
Total	$ –	$ 16,671	$ –	$ 16,671	
Post-modification:					
Real estate mortgage	$ –	$ 4,038	$ –	$ 4,038	$ –
Production and intermediate-term	–	11,859	–	11,859	(2)
Processing and marketing	–	489	–	489	–
Total	$ –	$ 16,386	$ –	$ 16,386	$ (2)

	Year Ended December 31, 2014 (as revised)				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ –	$ 4,603	$ –	$ 4,603	
Production and intermediate-term	–	13,425	–	13,425	
Total	$ –	$ 18,028	$ –	$ 18,028	
Post-modification:					
Real estate mortgage	$ –	$ 3,360	$ –	$ 3,360	$ (3)
Production and intermediate-term	–	12,121	–	12,121	(1)
Total	$ –	$ 15,481	$ –	$ 15,481	$ (4)

	Year Ended December 31, 2013 (as revised)				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ –	$ 6,029	$ –	$ 6,029	
Production and intermediate-term	–	11,490	–	11,490	
Total	$ –	$ 17,519	$ –	$ 17,519	
Post-modification:					
Real estate mortgage	$ –	$ 6,131	$ –	$ 6,131	$ –
Production and intermediate-term	–	11,661	–	11,661	(4)
Total	$ –	$ 17,792	$ –	$ 17,792	$ (4)

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 majority of AgGeorgia's principal concessions are principal deferments. The post-modification balances for principal deferments may include fees that have been financed, which causes the post-modification balances to be higher than the pre-modification balances.

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	$ –	$ 23	$ 309
Production and intermediate-term	104	287	1,620
Total	$ 104	$ 310	$ 1,929

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	$ 11,272	$ 9,247	$ 7,286	$ 5,103	$ 7,168	$ 5,919
Production and intermediate-term	22,045	20,505	19,986	13,358	10,556	9,844
Processing and marketing	1	–	–	1	–	–
Rural residential real estate	16	27	39	16	27	39
Total Loans	$ 33,334	$ 29,779	$ 27,311	$ 18,478	$ 17,751	$ 15,802
Additional commitments to lend	$ –	$ –	$ 5			

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	$ –

Note 4 — Investments

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 $8,909 for 2015, $9,299 for 2014 and $12,588 for 2013. The Association owns 3.48 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 $655 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	$ 2,122	$ 2,102	$ 2,102
Buildings and improvements	7,881	7,825	7,795
Furniture and equipment	4,027	3,896	3,842
	14,030	13,823	13,739
Less: accumulated depreciation	6,712	6,442	6,120
Total	$ 7,318	$ 7,381	$ 7,619

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

	December 31,		
	2015	2014	2013
(Gains) losses on sale, net	$ (1,113)	$ (326)	$ 767
Carrying value unrealized (gains) losses	(26)	925	3,811
Operating (income) expense, net	129	574	382
(Gains) losses on other property owned, net	$ (1,010)	$ 1,173	$ 4,960

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. Deferred gains totaled $330, $429, and $44 at December 31, 2015, 2014, and 2013, respectively.

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 1.77 percent for LIBOR-based loans and 1.74 percent for Prime-based loans, and the weighted average remaining maturities were 4.5 years and 1.2 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 2.66 percent, and the weighted average remaining maturity was 8.2 years at December 31, 2015. The weighted-average interest rate on all interest-bearing notes payable was 2.49 percent and the weighted-average remaining maturity was 7.0 years at December 31, 2015. Variable rate and fixed rate notes payable represent approximately -11.79 percent and 111.79 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 Stock:** Protection of certain borrower stock is provided under the Farm Credit Act, which requires the Association, when retiring protected borrower stock, to retire such stock at par or stated value regardless of its book value. Protected borrower stock includes capital stock and participation certificates, 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 stock 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 2.0 percent or $1 thousand, whichever is less. 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	25.92%	25.02%	23.51%	7.00%
Total surplus ratio	25.46%	24.57%	23.07%	7.00%
Core surplus ratio	21.40%	20.92%	19.87%	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**
B Common/Nonvoting	Yes	208	$ 1
C Common/Voting	No	746,093	3,731
C Participation Certificates/Nonvoting	No	31,594	158
Total Capital Stock and Participation Certificates		777,895	$ 3,890

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 $81,844 of qualified and $11,543 of nonqualified distributions. Nonqualified distributions are tax deductible only when redeemed.

Dividends

The Association may declare non-cumulative dividends on its capital stock and participation certificates provided the dividend rate does not exceed 8 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;

b) ***Second,*** allocated surplus in its entirety, with application to most recent allocation first and then in reverse order until all allocated surplus has been exhausted;

c) ***Third,*** Class C Common Stock and Class C Participation Certificates issued and outstanding, pro rata until such stock is fully impaired;

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

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

Impairments shall be considered as being applied pro rata to each share and/or unit outstanding in the class.

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

d) ***Fourth,*** to the holders of allocated surplus pro rata, on the basis of oldest allocations first, until an amount equal to the total account has been distributed to the holders;

e) ***Fifth,*** all unallocated surplus issued after May 4, 1995 (the effective date of this bylaw amendment) shall be distributed to the holders of Class C Stock and Class C Participation Certificates on a patronage basis; and

f) ***Sixth,*** any remaining assets of the Association after such distribution shall be distributed ratably to the holders of all classes of stock and participation certificates.

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	$ (159)	$ (74)	$ (106)
Other comprehensive income before reclassifications	16	(86)	29
Amounts reclassified from AOCI	6	1	3
Net current period OCI	22	(85)	32
Balance at end of period	$ (137)	$ (159)	$ (74)

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	$ (6)	$ (1)	$ (3)	See Note 9.
Amounts reclassified	$ (6)	$ (1)	$ (3)	

(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 deferred compensation plans, and assets held in mutual funds, related to the Association's Corporate Giving Fund, 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
The Association had no Level 2 assets and liabilities measured at fair value on a recurring basis.

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.

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	$ 218	$ 218	$ –	$ –	$ 218	
Recurring Assets	$ 218	$ 218	$ –	$ –	$ 218	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 39,028	$ –	$ –	$ 39,028	$ 39,028	$ 1,467
Other property owned	2,342	–	–	2,541	2,541	1,139
Nonrecurring Assets	$ 41,370	$ –	$ –	$ 41,569	$ 41,569	$ 2,606
Other Financial Instruments						
Assets:						
Cash	$ 445	$ 445	$ –	$ –	$ 445	
Loans	787,027	–	–	800,239	800,239	
Other Financial Assets	$ 787,472	$ 445	$ –	$ 800,239	$ 800,684	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 623,422	$ –	$ –	$ 625,777	$ 625,777	
Other Financial Liabilities	$ 623,422	$ –	$ –	$ 625,777	$ 625,777	

	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	$ 231	$ 231	$ –	$ –	$ 231	
Recurring Assets	$ 231	$ 231	$ –	$ –	$ 231	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 39,367	$ –	$ –	$ 39,367	$ 39,367	$ (870)
Other property owned	8,269	–	–	9,205	9,205	(599)
Nonrecurring Assets	$ 47,636	$ –	$ –	$ 48,572	$ 48,572	$ (1,469)
Other Financial Instruments						
Assets:						
Cash	$ 80	$ 80	$ –	$ –	$ 80	
Loans	785,279	–	–	786,950	786,950	
Other Financial Assets	$ 785,359	$ 80	$ –	$ 786,950	$ 787,030	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 636,993	$ –	$ –	$ 632,735	$ 632,735	
Other Financial Liabilities	$ 636,993	$ –	$ –	$ 632,735	$ 632,735	

	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	$ 259	$ 259	$ –	$ –	$ 259	
Recurring Assets	$ 259	$ 259	$ –	$ –	$ 259	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 47,740	$ –	$ –	$ 47,740	$ 47,740	$ (3,951)
Other property owned	7,345	–	–	8,150	8,150	(4,578)
Nonrecurring Assets	$ 55,085	$ –	$ –	$ 55,890	$ 55,890	$ (8,529)
Other Financial Instruments						
Assets:						
Cash	$ 1,304	$ 1,304	$ –	$ –	$ 1,304	
Loans	780,335	–	–	782,802	782,802	
Other Financial Assets	$ 781,639	$ 1,304	$ –	$ 782,802	$ 784,106	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 661,719	$ –	$ –	$ 658,008	$ 658,008	
Other Financial Liabilities	$ 661,719	$ –	$ –	$ 658,008	$ 658,008	

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	$ 41,569	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
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%	$4,608	$3,015	$4,254	7.98%	7.94%	8.46%
AgFirst Farm Credit Cash Balance Retirement Plan	102.72%	100.07%	95.06%	$–	$220	$79	0.00	4.43%	4.49%

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%	$572	$636	$500	8.41%	8.23%	7.19%

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 $4,103 for 2015, $4,465 for 2014, and $4,284 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 $1,140 for 2015, $667 for 2014, and $642 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 $486, $344, and $309 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, \$22, \$(85) and \$32 has been recognized as a net credit, net debit and net credit, respectively, to AOCI to reflect these elements.

The supplemental retirement plan is unfunded and had a projected benefit obligation of \$565 and a net under-funded status of \$565 at December 31, 2015. Net periodic pension cost was \$30, \$27, and \$27 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.

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, amortized schedule and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total loans to such persons at December 31, 2015 amounted to \$13,154, including \$270 classified as nonaccrual. During 2015, \$7,310 of new loans were made and repayments totaled \$6,422. In the opinion of management, none of these loans outstanding at December 31, 2015 to senior officers or directors as defined in FCA regulations 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, \$91,654 of commitments to extend credit and no commercial letters of credit were outstanding.

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 \$3,119 with expiration dates ranging from January 6, 2016 to June 18, 2019. The maximum potential amount of future payments that may be required under these guarantees was \$3,119.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	\$ 8	\$ 22	\$ 6
State	8	4	3
	\$ 16	\$ 26	\$ 9
Deferred:			
Federal	–	–	–
State	–	–	–
	–	–	–
Total provision (benefit) for income taxes	\$ 16	\$ 26	\$ 9

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	$ 6,901	$ 7,825	$ 6,722
State tax, net	1	2	5
Effect of non-taxable FLCA subsidiary	(2,475)	(2,026)	(3,481)
Patronage distributions	(4,107)	(4,714)	(3,132)
Change in valuation allowance	(385)	(1,194)	54
Other	81	133	(159)
Provision (benefit) for income taxes	$ 16	$ 26	$ 9

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

	December 31, 2015	2014	2013
Deferred income tax assets:			
Allowance for loan losses	$ 1,399	$ 1,615	$ 2,928
Loan origination fees	–	–	44
Other property owned writedown	35	202	510
Annual leave	405	405	388
Nonaccrual loan interest	1,688	1,645	1,647
Pensions and other postretirement benefits	3,465	3,240	3,226
Depreciation	–	88	125
Gross deferred tax assets	6,992	7,195	8,868
Less: valuation allowance	(3,996)	(4,381)	(5,576)
Gross deferred tax assets, net of valuation allowance	2,996	2,814	3,292
Deferred income tax liabilities:			
Pensions and other postretirement benefits	(3,056)	(2,814)	(3,292)
Depreciation	60	–	–
Gross deferred tax liability	(2,996)	(2,814)	(3,292)
Net deferred tax asset (liability)	$ –	$ –	$ –

At December 31, 2015, deferred income taxes have not been provided by the Association on approximately $5.9 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 $3,996, $4,381 and $5,576 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 2010 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

2015	First	Second	Third	Fourth	Total
Net interest income	$ 7,188	$ 7,299	$ 7,677	$ 7,436	$ 29,600
Provision for (reversal of allowance for) loan losses	241	608	(851)	(1,241)	(1,243)
Noninterest income (expense), net	(3,949)	(2,764)	(4,160)	(270)	(11,143)
Net income (loss)	$ 2,998	$ 3,927	$ 4,368	$ 8,407	$ 19,700

2014	First	Second	Third	Fourth	Total
Net interest income	$ 7,481	$ 7,542	$ 7,728	$ 7,865	$ 30,616
Provision for (reversal of allowance for) loan losses	(477)	1,102	(561)	(167)	(103)
Noninterest income (expense), net	(3,566)	(3,212)	(3,792)	2,182	(8,388)
Net income (loss)	$ 4,392	$ 3,228	$ 4,497	$ 10,214	$ 22,331

2013	First	Second	Third	Fourth	Total
Net interest income	$ 7,739	$ 7,830	$ 8,402	$ 7,481	$ 31,452
Provision for (reversal of allowance for) loan losses	299	411	125	3,538	4,373
Noninterest income (expense), net	(3,241)	(3,900)	(1,991)	1,250	(7,882)
Net income (loss)	$ 4,199	$ 3,519	$ 6,286	$ 5,193	$ 19,197

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.