2016 ANNUAL REPORT

Part of the Farm Credit System

FARM CREDIT 100
ESTABLISHED 1916

Dear Louisiana Land Bank Stockholders:

As we conclude 2016 with this annual report, your Board of Directors and management team are already eagerly looking forward to 2017 and beyond. 2016 proved to be a historic year with respect to loan originations, and the growth in our loan portfolio has the Association poised for future financial success. First and foremost, I am pleased to report that patronage checks totaling $6.5 million will be delivered to stockholders later this month. This significant level of cash patronage is a reflection of the solid earnings performance of the Association during 2016. Our positive earnings are directly related to the loan growth experienced over the past several years and to the continued quality evident in our Louisiana-based loan portfolio.

Average outstanding loan volume grew by more than 9 percent during 2016, and net interest income increased by over $1.5 million. This growth originated primarily from our branch network that serves the entire state of Louisiana. The majority of our branches saw substantial growth in each of their respective markets, and that loan growth is a direct reflection of our Vision Statement that calls on us to be "the leading provider of financial services to farmers, agribusinesses and rural Louisiana citizens residing and operating in Louisiana."

Delivery systems for financial services are evolving rapidly. Some providers are opting to move away from maintaining a physical branch presence in certain marketplaces. We believe that we have to strategically utilize both branch outlets and technology to effectively serve our current and future customers. To that end, we continue to improve and update our brick and mortar network throughout the state while also investing in new technology. Even as technology advances, we recognize that our most important business asset is our people. We attract and retain bright, customer-focused employees in our branches and in our Monroe administrative office. Our dedicated loan officers and support staff allow us to clearly separate ourselves from our competition due to their tireless efforts to consistently ensure our customers are served in a professional, productive, timely and beneficial manner.

Due to the increasing importance of electronic commerce, we are making additional investments on the technology side of our business. Through support and leadership from our district wholesale bank, the Farm Credit Bank of Texas, we will in 2017 implement a new credit delivery system called Farm View. Farm View will provide operating efficiencies necessary to ensure enhanced returns on both human and financial capital for our stockholders. We strive to provide our loan officers and support staff with the appropriate technology to meet or exceed your customer expectations, whether from a branch location or on your farm.

As we move forward into 2017, we cannot forget about the volatility in oil and gas prices, the decline in agricultural commodity prices and the record-level flooding that impacted the greater Baton Rouge area and much of northern Louisiana in 2016. Despite these negative events, the Association's credit quality remains strong, capital levels are well above regulatory minimums and our board-established targets, and our allowance for loan losses account remains adequately funded based on the current level of perceived risk in our loan portfolio. In many cases, our stockholders impacted by the flooding had their loans restructured and were given an opportunity to recover from the interruption in their incomes and the extra expenses associated with the flooding. We believe our potential earnings and our solid capital levels position us to fully serve all eligible borrowers in the state, in both good times and in bad.

Our lending team will continue to focus on maximizing market penetration within the state to ensure that our branch-generated loan growth continues. Much of that growth is a direct result of our positive relationship with you as our stockholders, customers and owners. Without your business, customer referrals and continued support, we as a cooperatively owned farm and agricultural lender would not have experienced the recent positive operating results or be so well-positioned for the future. We need and ask for your continued support.

On behalf of our 11-member board, I would like to express to each stockholder the honor and privilege that we have, both individually and collectively as a board, to represent your interests in our capacity as Association directors. We are strongly committed to providing effective oversight and holding our very capable management team accountable for running an efficient, customer-focused financial institution as we fulfill our fiduciary duties. We continue to learn and grow as a board, and we are always open to your suggestions about ways to better serve you and to support your farm and financial dreams.

As you grow and prosper, we will strive to be a reliable partner that offers competitive financial products and good counsel to you. Whether it is providing service to you at one of our branch locations or signing paperwork on the tailgate of a truck at your farm, we are focused on providing our stockholders with world-class financial service. We certainly understand our charge as board members to maintain the financial integrity of the Association while assuring that we meet our mission to provide constructive credit and useful related services to Louisiana's farming and rural community. We look forward to serving you in 2017 and beyond, and we thank you for your business and for being part of our Louisiana Land Bank family.

Sincerely,

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REPORT OF MANAGEMENT

The consolidated financial statements of Louisiana Land Bank, ACA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

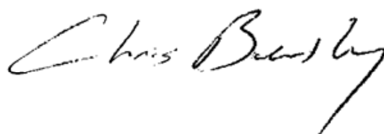
To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (Bank) and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions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

The Board of Directors has overall responsibility for the Association's systems of internal control and financial reporting. The Board consults regularly with management and reviews the results of the audits and examinations referred to previously.

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

F. Stephen Austin, Chief Executive Officer
March 24, 2017

James Mark Morgan, Chairman, Board of Directors
March 24, 2017



Christopher E. Bentley, Chief Financial Officer
March 24, 2017

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of Cecelia A. Hoyt – Chairman, Henry Capdeboscq, Jr., Donald Berken, and Edward W. Patrick, Jr. In 2016, 16 Audit Committee meetings were held. The Committee oversees the scope of Louisiana Land Bank, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on the Association's website. The Committee approved the appointment of PricewaterhouseCoopers, LLP for 2016.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PricewaterhouseCoopers, LLP is responsible for performing an independent audit of Louisiana Land Bank, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed Louisiana Land Bank, ACA's audited consolidated financial statements for the year ended December 31, 2016 (audited consolidated financial statements) with management and PricewaterhouseCoopers, LLP. The Committee also reviews with PricewaterhouseCoopers, LLP the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PricewaterhouseCoopers, LLP's and Louisiana Land Bank, ACA's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PricewaterhouseCoopers, LLP its independence from Louisiana Land Bank, ACA. The Committee also reviewed the nonaudit services provided by PricewaterhouseCoopers, LLP and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PricewaterhouseCoopers, LLP such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board include the audited consolidated financial statements in Louisiana Land Bank, ACA's Annual Report to Stockholders for the year ended December 31, 2016.

Audit Committee Members

Cecelia A. Hoyt, Chairman
Henry Capdeboscq, Jr.
Donald Berken
Edward W. Patrick, Jr.

March 24, 2017

LOUISIANA LAND BANK, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2016	2015	2014	2013	2012
Balance Sheet Data					
Assets					
Cash	**$ 3**	$ 82	$ 70	$ 50	$ 1,056
Loans	**724,081**	659,483	627,120	611,195	594,658
Less: allowance for loan losses	**5,427**	5,377	5,203	5,313	9,892
Net loans	**718,654**	654,106	621,917	605,882	584,766
Investment in and receivable from the Farm Credit Bank of Texas	**11,329**	11,028	10,978	11,877	12,443
Other property owned, net	**75**	-	719	1,551	7,097
Other assets	**12,398**	9,718	8,276	8,214	8,741
Total assets	**$ 742,459**	$ 674,934	$ 641,960	$ 627,574	$ 614,103
Liabilities					
Obligations with maturities of one year or less	**$ 12,656**	$ 11,340	$ 9,751	$ 6,918	$ 3,431
Obligations with maturities greater than one year	**589,614**	527,537	500,933	495,401	490,506
Total liabilities	**602,270**	538,877	510,684	502,319	493,937
Members' Equity					
Capital stock and participation certificates	**2,653**	2,548	2,481	2,900	2,854
Unallocated retained earnings	**138,215**	134,016	129,598	122,482	118,002
Accumulated other comprehensive income (loss)	**(679)**	(507)	(803)	(127)	(690)
Total members' equity	**140,189**	136,057	131,276	125,255	120,166
Total liabilities and members' equity	**$ 742,459**	$ 674,934	$ 641,960	$ 627,574	$ 614,103
Statement of Income Data					
Net interest income	**$ 19,361**	$ 17,826	$ 18,209	$ 17,553	$ 17,508
(Provision for loan losses) or loan loss reversal	**(15)**	(33)	(13)	(370)	(1,026)
Income from the Farm Credit Bank of Texas	**2,701**	2,517	2,498	2,544	2,723
Other noninterest income	**453**	875	1,641	982	2,168
Noninterest expense	**(11,767)**	(11,009)	(10,698)	(11,486)	(12,141)
Benefit from income taxes	**(2)**	(1)	(22)	(43)	(83)
Net income (loss)	**$ 10,731**	$ 10,175	$ 11,615	$ 9,180	$ 9,149
Key Financial Ratios for the Year					
Return on average assets	**1.5%**	1.5%	1.8%	1.5%	1.4%
Return on average members' equity	**7.7%**	7.5%	8.8%	7.4%	7.9%
Net interest income as a percentage of average earning assets	**2.7%**	2.8%	2.9%	2.9%	2.8%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.8%	0.2%

LOUISIANA LAND BANK, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2016	2015	2014	2013	2012
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**18.9%**	20.2%	20.4%	20.0%	19.6%
Debt as a percentage of members' equity	**429.6%**	396.1%	389.0%	401.0%	411.0%
Allowance for loan losses as a percentage of loans	**0.7%**	0.8%	0.8%	0.9%	1.7%
Permanent capital ratio	**18.4%**	19.5%	19.5%	18.5%	17.4%
Core surplus ratio	**18.0%**	19.1%	19.1%	18.1%	17.0%
Total surplus ratio	**18.0%**	19.1%	19.1%	18.1%	17.0%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 5,822**	$ 4,500	$ 2,999	$ 1,700	$ -

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Louisiana Land Bank, ACA, including its wholly-owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank Association, FLCA (Association) for the years ended December 31, 2016, 2015 and 2014, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

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-related 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
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

The Association's Board of Directors (Board) elected to pay a patronage from 2016's earnings totaling approximately $6,500,000. It is anticipated that the patronage will be paid to eligible stockholders in the first quarter of 2017. The patronage is in the form of a qualified patronage distribution. The increase in the qualified patronage distribution, compared to prior year, is just over 12 percent. This marks the fourth consecutive year that the Association has increased and paid the cash patronage to eligible borrowers

In December 2016, the Association received a direct loan patronage of $2,340,362 from the Bank, representing 41 basis points on the average daily balance of the Association's direct loan with the Bank. During 2016, the Association received $199,163 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $161,469 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

At December 2016, the Association had one acquired property totaling $74,587 and the collateral for this loan was based in Louisiana.

As the Association's credit quality continues to improve and stabilize, management believes that collection of interest on non-accrual loans and gains on the sale of acquired property will continue to decrease. Interest collected on non-accrual loans should be treated as a non-recurring one-time event.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loan maturities range from 1 to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $724,081,362, $659,483,139 and $627,120,442 as of December 31, 2016, 2015 and 2014, respectively, is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

Purchase and Sales of Loans:

During 2016, 2015 and 2014, the Association was participating in loans with other lenders. As of December 31, 2016, 2015 and 2014, these participations totaled $52,866,011, $46,813,295 and $40,416,181, or 7.3 percent, 7.1 percent and 6.4 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the district of $770,175, $881,931 and $9,392,717, or 0.1 percent, 0.1 percent and 1.5 percent of loans, respectively. The Association has also sold participations of $51,687,108, $36,403,576 and $34,101,033 as of December 31, 2016, 2015 and 2014, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2016		2015		2014	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 5,017,617**	**58.5%**	$ 4,136,284	75.7%	$ 3,865,193	48.9%
Formally restructured	**3,356,690**	**40.6%**	1,324,751	24.3%	3,327,172	42.0%
Other property owned, net	**74,587**	**0.9%**	-	0.0%	718,745	9.1%
Total	**$ 8,448,894**	**100.0%**	$ 5,461,035	100.0%	$ 7,911,110	100.0%

At December 31, 2016, 2015 and 2014, loans that were considered impaired were $8,374,307, $5,461,035 and $7,192,365, representing 1.2 percent, 0.8 percent and 1.1 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

At December 31, 2016, the Association had 17 loans to a single borrower totaling $14,029,435, representing 1.94 percent of total loan volume.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural lender.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2016	2015	2014
Allowance for loan losses	**$ 5,426,945**	$ 5,376,702	$ 5,203,336
Allowance for loan losses to total loans	**0.7%**	0.8%	0.8%
Allowance for loan losses to nonaccrual loans	**108.2%**	130.0%	134.6%
Allowance for loan losses to impaired loans	**63.8%**	98.5%	72.3%

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences.

At December 31, 2016, the Association had provision expense of $14,601, charge-offs of $100,094 and recoveries in the amount of $228,261.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of

$5,426,945, $5,376,702 and $5,203,336 at December 31, 2016, 2015 and 2014, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates.

Results of Operations:

The Association's net income for the year ended December 31, 2016, was $10,731,144 as compared to $10,175,374 for the year ended December 31, 2015, reflecting an increase of $555,770, or 5.5 percent. The Association's net income for the year ended December 31, 2014 was $11,614,745. Net income decreased $1,439,371, or 12.4 percent, in 2015 versus 2014.

Net interest income for 2016, 2015 and 2014 was $19,361,496, $17,826,254 and $18,209,033, respectively, reflecting an increase of $1,535,242, or 8.6 percent, for 2016 versus 2015 and a decrease for 2015 versus 2014 of $382,779, or 2.10 percent. 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 tables:

	2016		2015		2014	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 701,948,110**	**$ 30,547,424**	$ 640,405,977	$ 27,120,728	$ 618,187,550	$ 27,118,521
Total interest-earning assets	**701,948,110**	**30,547,424**	640,405,977	27,120,728	618,187,550	27,118,521
Interest-bearing liabilities	**570,988,439**	**11,185,928**	514,111,825	9,294,474	499,121,177	8,909,488
Impact of capital	**$ 130,959,671**		$ 126,294,152		$ 119,066,373	
Net interest income		**$ 19,361,496**		$ 17,826,254		$ 18,209,033

	2016 Average Yield	2015 Average Yield	2014 Average Yield
Yield on loans	**4.35%**	4.23%	4.39%
Total yield on interest-earning assets	**4.35%**	4.23%	4.39%
Cost of interest-bearing liabilities	**2.07%**	1.81%	1.79%
Interest rate spread	**2.39%**	2.43%	2.60%

	2016 vs. 2015			2015 vs. 2014		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 2,606,248**	**$ 820,448**	**$ 3,426,696**	$ 974,678	$ (972,471)	$ 2,207
Total interest income	**2,606,248**	**820,448**	**3,426,696**	974,678	(972,471)	2,207
Interest expense	**1,028,272**	**863,182**	**1,891,454**	267,583	117,403	384,986
Net interest income	**$ 1,577,986**	**$ (42,734)**	**$ 1,535,242**	$ 707,095	$ (1,089,874)	$ (382,779)

Interest income for 2016 increased by $3,426,696, or 12.6 percent, compared to 2015, primarily due to an increase in accrual loan volume. Interest expense for 2016 increased by $1,891,454, or 20.4 percent, compared to 2015 due to an increase in debt outstanding and rates. The interest rate spread decreased by 4 basis points to 2.39 percent in 2016 from 2.43 percent in 2015, primarily due to competitive pressure on rates in sections of the state. The interest rate spread decreased by 17 basis points to 2.43 percent in 2015 from 2.60 percent in 2014, primarily due to less interest collected on non-accrual loans.

Noninterest income for 2016 decreased by $238,141 or 7.0 percent, compared to 2015, due primarily to gains on other property owned and the sale of vehicles that occurred during 2015. Noninterest income for 2015 decreased by $747,692, or 18.0 percent, compared to 2014, due primarily to gains on sale of other property owned.

Provisions for loan losses decreased by $18,200, or 55.5 percent, compared to 2015, due primarily to the reduction in impaired assets requiring reserves.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Operating expenses increased by $759,092 for 2016 compared to 2015 primarily due to salaries and employee benefits and insurance fund premiums. During 2016, salaries and employee benefits increased by $437,317 or 6.36 percent when compared to 2015. The insurance fund

premiums increased by $268,190 from 2015. There was a decrease in directors' expense of $21,391, travel $6,485, occupancy and equipment $28,235, and other non-interest expense $42,510. The Association incurred increases in purchased services of $53,834, communications $29,451, advertising $16,220, public and member relations $33,922, and supervisory and exam expense $18,779.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $584,374, $515,094, and $444,791 for 2016, 2015 and 2014, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling $673,519 related to the origination of loans.

For the year ended December 31, 2016, the Association's return on average assets was 1.5 percent, as compared to 1.5 percent and 1.8 percent for the years ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2016, the Association's return on average members' equity was 7.7 percent, as compared to 7.5 percent and 8.8 percent for the years ended December 31, 2015 and 2014, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

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

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $588,616,613, $526,697,949 and $500,169,143 as of December 31, 2016, 2015 and 2014, respectively, is recorded as a liability on the Association's balance sheet. The accrued interest balance as of December 31, 2016, 2015, and 2014 is $997,381, $838,596, and $763,922, respectively. The note carried a weighted average interest rate of 2.07 percent, 1.91 percent and 1.83 percent at December 31, 2016, 2015 and 2014, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2015, is due to an increase in accrual loan volume. At December 31, 2016, $80,956,440 of commitments and $743,337 of commercial letters of credit were outstanding.

The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $134,851,502, $132,214,379 and $126,419,949 at December 31, 2016, 2015 and 2014, respectively. The maximum amount the Association may borrow from the bank as of December 31, 2016, was $716,691,956 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2018, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2017. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $140,189,323, $136,057,708 and $131,276,072 at December 31, 2016, 2015 and 2014, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2016, 2015 and 2014 was 18.4 percent, 19.5 percent and 19.5 percent, respectively. The core surplus ratio measures available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The Association's core surplus ratio at December 31, 2016, 2015 and 2014 was 18.0 percent, 19.1 percent and 19.1 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 3.5 percent. The total surplus ratio measures available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the reserves existing to protect borrowers' investments in the Association. The Association's total surplus ratio at

December 31, 2016, 2015 and 2014 was 18.0 percent, 19.1 percent and 19.1 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 7.0 percent. During 2016, the Association grew accrual loan volume in excess of 9 percent compared to 2015. This growth resulted in the lowering of the Association's capital metrics.

Significant Recent Accounting Pronouncements:

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

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

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations.

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

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

Regulatory Matters:

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

- To modernize capital requirements while ensuring that the institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent and
- To meet the requirements of section 939A of the Dodd-Frank Act.

The final rule is effective on January 1, 2017. Based on preliminary calculations, the Association expects to be in compliance with the regulatory minimum capital ratios under the final rule.

In 2016, 2015 and 2014, the Association paid patronage distributions of $5,822,288, $4,499,942 and $2,998,692, respectively. In December 2016, the Board approved a 1 percent or approximately $6.5 million cash patronage for eligible stockholders. See Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all district associations. In addition, each Association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills district expenses to the Associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 27 years, regardless of the state of the agricultural economy, your Association's Board of Directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Louisiana Land Bank, ACA

We have audited the accompanying consolidated financial statements of Louisiana Land Bank, ACA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2016, 2015 and 2014, and the related consolidated statements of 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.

Auditors' 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 Louisiana Land Bank, ACA and its subsidiaries as of December 31, 2016, 2015 and 2014, 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 24, 2017

PricewaterhouseCoopers LLP, 300 West 6th Street, Suite 1800, Austin, Texas 78701
T: (512) 477-1300, F: (512) 477-8681, www.pwc.com/us

LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2016	2015	2014
Assets			
Cash	**$ 2,849**	$ 81,673	$ 70,412
Loans	**724,081,362**	659,483,139	627,120,442
Less: allowance for loan losses	**5,426,945**	5,376,702	5,203,336
Net loans	**718,654,417**	654,106,437	621,917,106
Accrued interest receivable	**6,561,617**	5,597,145	4,837,740
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**11,329,475**	10,228,330	9,979,910
Other	**1,788,241**	799,732	997,717
Other property owned, net	**74,587**	-	718,745
Premises and equipment	**3,582,000**	3,648,174	3,008,782
Other assets	**465,835**	472,913	429,525
Total assets	**$ 742,459,021**	$ 674,934,404	$ 641,959,937
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 588,616,613**	$ 526,697,949	$ 500,169,143
Accrued interest payable	**997,381**	838,596	763,922
Drafts outstanding	**79,464**	638,919	236,037
Patronage distributions payable	**6,467,395**	5,757,683	4,500,532
Other liabilities	**6,108,845**	4,943,549	5,014,231
Total liabilities	**602,269,698**	538,876,696	510,683,865
Members' Equity			
Capital stock and participation certificates	**2,652,945**	2,548,415	2,481,320
Unallocated retained earnings	**138,215,117**	134,015,973	129,597,692
Accumulated other comprehensive income (loss)	**(678,739)**	(506,680)	(802,940)
Total members' equity	**140,189,323**	136,057,708	131,276,072
Total liabilities and members' equity	**$ 742,459,021**	$ 674,934,404	$ 641,959,937

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2016	2015	2014
Interest Income			
Loans	**$ 30,547,424**	$ 27,120,728	$ 27,118,521
Total interest income	**30,547,424**	27,120,728	27,118,521
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**11,185,928**	9,294,474	8,909,488
Total interest expense	**11,185,928**	9,294,474	8,909,488
Net interest income	**19,361,496**	17,826,254	18,209,033
Provision for Loan Losses	**14,601**	32,801	12,742
Net interest income after provision for losses	**19,346,895**	17,793,453	18,196,291
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**2,700,974**	2,517,134	2,498,460
Loan fees	**293,392**	193,184	147,495
Financially related services income	**2,814**	2,633	2,665
Gain on other property owned, net	**735**	215,365	1,196,128
Gain on sale of premises and equipment, net	**80,254**	402,267	125,973
Other noninterest income	**75,704**	61,431	168,985
Total noninterest income	**3,153,873**	3,392,014	4,139,706
Noninterest Expenses			
Salaries and employee benefits	**7,309,383**	6,872,066	6,609,038
Directors' expense	**355,658**	377,049	299,899
Purchased services	**584,730**	530,896	555,688
Travel	**475,031**	481,516	525,904
Occupancy and equipment	**541,479**	569,714	533,572
Communications	**172,739**	143,288	161,789
Advertising	**440,229**	424,009	451,376
Public and member relations	**291,555**	257,633	248,180
Supervisory and exam expense	**382,825**	364,046	360,426
Insurance Fund premiums	**989,961**	721,771	543,437
Provision for losses on other property owned, net	**-**	-	5,359
Other noninterest expense	**224,179**	266,689	404,703
Total noninterest expenses	**11,767,769**	11,008,677	10,699,371
Income before income taxes	**10,732,999**	10,176,790	11,636,626
Provision for income taxes	**1,855**	1,416	21,881
NET INCOME	**10,731,144**	10,175,374	11,614,745
Other comprehensive income:			
Change in postretirement benefit plans	**(172,059)**	296,260	(676,146)
Other comprehensive income, net of tax	**(172,059)**	296,260	(676,146)
COMPREHENSIVE INCOME	**$ 10,559,085**	$ 10,471,634	$ 10,938,599

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 2,899,765	$ 122,482,131	$ (126,794)	$ 125,255,102
Net income	-	11,614,745	-	11,614,745
Other comprehensive income	-	-	(676,146)	(676,146)
Capital stock/participation certificates issued	427,600	-		427,600
Capital stock/participation certificates and allocated retained earnings retired	(846,045)	-	-	(846,045)
Patronage dividends declared:				
Cash	-	(4,499,184)	-	(4,499,184)
Balance at December 31, 2014	2,481,320	129,597,692	(802,940)	131,276,072
Net income	-	10,175,374	-	10,175,374
Other comprehensive income	-	-	296,260	296,260
Capital stock/participation certificates issued	339,640	-	-	339,640
Capital stock/participation certificates and allocated retained earnings retired	(272,545)	-	-	(272,545)
Patronage dividends declared:				
Cash	-	(5,757,093)	-	(5,757,093)
Balance at December 31, 2015	2,548,415	134,015,973	(506,680)	136,057,708
Net income	-	10,731,144	-	10,731,144
Other comprehensive income	-	-	(172,059)	(172,059)
Comprehensive income	-	10,731,144	(172,059)	10,559,085
Capital stock/participation certificates issued	341,060	-	-	341,060
Capital stock/participation certificates and allocated retained earnings retired	(236,530)	-	-	(236,530)
Patronage dividends declared:				
Cash	-	(6,532,000)	-	(6,532,000)
Balance at December 31, 2016	**$ 2,652,945**	**$ 138,215,117**	**$ (678,739)**	**$ 140,189,323**

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

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	**$ 10,731,144**	$ 10,175,374	$ 11,614,745
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**14,601**	32,801	12,742
Deferred Gain on Acquired Property	**-**	-	89,322
Provision for acquired property	**-**	-	5,359
Gain on other property owned, net	**-**	(215,994)	(1,216,404)
Depreciation	**402,356**	408,263	455,435
Gain on sale of premises and equipment, net	**(80,254)**	(402,346)	(125,973)
Increase in accrued interest receivable	**(964,472)**	(759,405)	(85,336)
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	**(988,509)**	197,985	1,031,814
Decrease in deferred tax assets	**2,269**	1,416	16,661
Decrease (increase) in other assets	**7,078**	(43,387)	(115,705)
Increase in accrued interest payable	**158,604**	74,674	12,211
Increase in other liabilities	**898,624**	283,353	306,830
Net cash provided by operating activities	**10,181,441**	9,752,734	12,001,701
Cash flows from investing activities:			
Increase in loans, net	**(64,836,495)**	(32,428,792)	(16,132,733)
Cash recoveries of loans previously charged off	**228,261**	90,007	145,001
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(1,101,145)**	(248,420)	(132,820)
Purchases of premises and equipment	**(314,613)**	(1,211,069)	(278,588)
Proceeds from sales of premises and equipment	**122,276**	934,739	123,497
Proceeds from sales of other property owned	**-**	623,221	2,043,554
Net cash used in investing activities	**(65,901,716)**	(32,240,314)	(14,232,089)

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2016	2015	2014
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**61,918,664**	26,528,806	5,519,947
(Decrease) increase in drafts outstanding	**(559,455)**	402,882	148,048
Issuance of capital stock and participation certificates	**341,060**	339,640	427,600
Retirement of capital stock and participation certificates	**(236,530)**	(272,545)	(846,045)
Patronage distributions paid	**(5,822,288)**	(4,499,942)	(2,998,692)
Net cash provided by financing activities	**55,641,451**	22,498,841	2,250,858
Net (decrease) increase in cash	**(78,824)**	11,261	20,470
Cash at the beginning of the year	**81,673**	70,412	49,942
Cash at the end of the year	**$ 2,849**	$ 81,673	$ 70,412
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**74,587**	-	-
Loans charged off	**100,094**	8,634	66,239
Patronage distributions declared	**6,467,192**	5,757,093	4,500,000
Deferred gain on other property owned	**-**	-	89,322
Unfunded Commitments	**80,956,440**	-	-
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 11,027,324**	$ 9,369,148	$ 8,897,277

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

LOUISIANA LAND BANK, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Louisiana Land Bank, ACA, including its wholly-owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank Association, FLCA (collectively called "the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn in the state of Louisiana.

   The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2015, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

   The Bank and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the district and is responsible for supervising certain activities of the District Associations. At December 31, 2016, the district consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly-owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

   The FCA is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

   The Act established the Farm Credit System Insurance Corporation (FCSIC) 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, (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 the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. 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 monies in the Insurance Fund reach the "secure base amount," which 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 other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

   FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. 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 makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

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

The lending and financial services offered by the Bank are described in Note 1, "Organization and Operations," of the District's annual report to stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated 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 could differ from those estimates. The consolidated financial statements include the accounts of Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank Association, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements: In June 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

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

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

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one

year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on their financial condition or results of operations.

B. Cash: Cash, as included in the statement of cash flows, represents cash on hand and on deposit at local banks

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will 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 shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring (TDR) 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. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. 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, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related associations use a two-dimensional loan rating model based on an 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 probability of default 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 (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the bank compared to other district associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition. 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. On at least an annual basis, 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 and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

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

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance 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 liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the Board of Directors.

H. Employee Benefit Plans: Employees of the Association participate in either the district defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.
Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2016, made on their behalf into various investment alternatives.

The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the Associations. No portion of any surplus assets is available to the Associations, nor are the Associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the Associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $213,977 $242,399, and $220,004 for the years ended December 31, 2016, 2015 and 2014 respectively. For the DB plan, the Association recognized pension costs of $345,983, $135,136 and $148,069 for the years ended December 31, 2016, 2015 and 2014, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the Associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $169,962, $193,131 and $185,690 for the years ended December 31, 2016, 2015 and 2014, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

I. Income Taxes: The ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through the wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. 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 retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

J. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the bank on an accrual basis.

K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13, "Fair Value Measurements."

L. Off-balance-sheet credit exposures: 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. Commercial letters of credit are conditional 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. The credit risk associated with commitments to extend credit and commercial 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.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2016		2015		2014	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 611,296,431**	**84.4%**	$ 558,290,493	84.7%	$ 538,841,540	85.9%
Production and intermediate term	**49,226,496**	**6.8%**	42,096,061	6.4%	37,507,404	6.0%
Agribusiness:						
Loans to cooperatives	**6,557,031**	**0.9%**	5,262,571	0.8%	3,076,029	0.5%
Processing and marketing	**20,654,968**	**2.9%**	11,893,789	1.8%	5,901,067	0.9%
Farm-related business	**17,827,744**	**2.5%**	15,276,840	2.3%	18,013,689	2.9%
Communication	**6,304,131**	**0.8%**	8,232,747	1.2%	6,174,404	1.0%
Energy	**868,370**	**0.1%**	2,367,715	0.4%	1,750,993	0.3%
Water and waste water	**-**	**0.0%**	635,159	0.1%	941,920	0.2%
Rural residential real estate	**11,270,643**	**1.6%**	15,346,639	2.3%	14,827,243	2.3%
Lease receivables	**75,548**	**0.0%**	81,125	0.0%	86,153	0.0%
Total	**$ 724,081,362**	**100.0%**	$ 659,483,139	100.0%	$ 627,120,442	100.0%

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 table presents information regarding participations purchased and sold as of December 31, 2016:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 16,872,176	$ 36,293,108	$ -	$ -	$ 16,872,176	$ 36,293,108
Production and intermediate term	6,885,215	3,732,342	-	-	6,885,215	3,732,342
Agribusiness	21,774,517	10,041,213	770,175	3,726,224	22,544,692	13,767,437
Communication	6,304,131	-	-	-	6,304,131	-
Energy	868,370	-	-	-	868,370	-
Total	$ 52,704,409	$ 50,066,663	$ 770,175	$ 3,726,224	$ 53,474,584	$ 53,792,887

Geographic Distribution by loan volume as of December 31, 2016:

REGION	2016	2015	2014	2013
Louisiana				
Northeast	31.15%	33.82%	33.95%	32.66%
Northwest	12.34%	11.89%	12.54%	12.43%
Southeast	19.78%	20.37%	20.75%	22.24%
Southwest	16.92%	16.75%	15.52%	14.33%
Total Louisiana	80.19%	82.83%	82.76%	81.66%
Out of State	19.81%	17.17%	17.24%	18.34%
	100.00%	100.00%	100.00%	100.00%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table.

	2016		2015		2014	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Timber	**$ 209,574,254**	**28.9%**	$ 203,607,055	30.9%	$ 212,421,782	33.9%
Cash grains	**135,667,700**	**18.7%**	134,803,233	20.4%	130,983,513	20.9%
Field crops except cash grains	**98,650,922**	**13.6%**	67,668,426	10.3%	63,307,757	10.1%
Livestock, except dairy and poultry	**82,539,406**	**11.4%**	82,033,727	12.4%	78,561,418	12.5%
Hunting, trapping and game propagation	**57,321,917**	**7.9%**	49,061,694	7.4%	49,209,884	7.8%
Food and kindred products	**25,605,785**	**3.5%**	19,095,652	2.9%	21,021,314	3.4%
Rural home loans	**17,012,899**	**2.4%**	15,587,419	2.4%	14,507,529	2.3%
Poultry and eggs	**16,628,620**	**2.3%**	14,074,603	2.1%	5,712,650	0.9%
General farms, primarily crops	**13,880,387**	**1.9%**	13,226,200	2.0%	3,546,424	0.6%
Animal specialties	**12,686,641**	**1.8%**	14,226,136	2.2%	13,078,315	2.1%
Wholesale trade - nondurable goods	**11,687,077**	**1.6%**	10,578,227	1.6%	6,578,964	1.0%
Farm and garden machinery equipment	**10,312,278**	**1.4%**	3,060,440	0.5%	1,345,687	0.2%
Communication	**6,304,131**	**0.9%**	8,232,747	1.2%	6,174,404	1.0%
Paper and allied products	**5,518,439**	**0.8%**	-	0.0%	356,795	0.1%
General farms, primarily livestock	**3,004,571**	**0.4%**	3,468,278	0.5%	4,101,017	0.7%
Chemical and allied products	**2,788,131**	**0.4%**	1,361,440	0.2%	1,852,503	0.3%
Commercial fishing	**1,909,549**	**0.3%**	1,778,603	0.3%	-	0.0%
Dairy farms	**1,831,982**	**0.3%**	2,092,351	0.3%	2,308,369	0.4%
Fruit and tree nuts	**1,481,725**	**0.2%**	1,507,922	0.2%	1,630,689	0.2%
Public warehousing and storage	**930,509**	**0.1%**	777,609	0.1%	140,000	0.0%
Electric services	**868,370**	**0.1%**	2,367,715	0.4%	1,752,982	0.3%
Horticultural specialties	**746,425**	**0.1%**	815,941	0.1%		0.0%
Agricultural services	**566,638**	**0.1%**	1,169,068	0.2%		0.0%
Vegetables and melons	**323,162**	**0.0%**	5,338,497	0.8%	3,775,440	0.6%
Building materials, hardware and garden supplies	**261,292**	**0.0%**		0.0%	296,292	0.0%
Lumber and wood products, except furniture	**139,541**	**0.0%**	241,071	0.0%	285,818	0.0%
Fish hatcheries and preserves	**-**	**0.0%**	-	0.0%	74,501	0.0%
Forestry services	**-**	**0.0%**	-	0.0%	12,654	0.0%
Real estate	**443,336**	**0.1%**	-	0.0%	-	0.0%
Other	**5,395,675**	**0.8%**	3,309,085	0.6%	4,083,741	0.7%
Total	**$ 724,081,362**	**100.0%**	$ 659,483,139	100.0%	$ 627,120,442	100.0%

While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, 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. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

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 secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 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 the loan-to-value ratios in excess of the regulatory maximum.

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

	December 31, 2016	December 31, 2015	December 31, 2014
Nonaccrual loans:			
Real estate mortgage	**$ 3,955,169**	$ 2,931,807	$ 2,601,544
Production and intermediate term	**-**	9,250	-
Agribusiness	**770,175**	881,931	906,566
Rural residential real estate	**292,273**	313,296	357,083
Total nonaccrual loans	**5,017,617**	4,136,284	3,865,193
Accruing restructured loans:			
Real estate mortgage	**2,451,347**	1,139,497	3,132,308
Production and intermediate term	**735,960**	-	-
Rural residential real estate	**169,383**	185,254	194,864
Total accruing restructured loans	**3,356,690**	1,324,751	3,327,172
Total nonperforming loans	**8,374,307**	5,461,035	7,192,365
Other property owned	**74,587**	-	718,745
Total nonperforming assets	**$ 8,448,894**	$ 5,461,035	$ 7,911,110

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

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

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2016	2015	2014
Real estate mortgage			
Acceptable	**97.8** %	98.0 %	98.2 %
OAEM	**1.2**	1.0	0.3
Substandard/doubtful	**1.0**	1.0	1.5
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**97.4**	100.0	89.3
OAEM	**2.6**	-	10.7
Substandard/doubtful	**-**	0.0	-
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**95.7**	81.0	83.2
OAEM	**-**	-	-
Substandard/doubtful	**4.3**	19.0	16.8
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	96.8	95.2
OAEM	**-**	-	-
Substandard/doubtful	**-**	3.2	4.8
	100.0	100.0	100.0
Energy			
Acceptable	**66.9**	100.0	100.0
OAEM	**33.1**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Water and waste water			
Acceptable	**-**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	-	100.0	100.0
Rural residential real estate			
Acceptable	**97.2**	96.9	96.6
OAEM	**0.2**	0.9	1.0
Substandard/doubtful	**2.6**	2.2	2.4
	100.0	100.0	100.0
Lease receivables			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Total Loans			
Acceptable	**97.8**	98.2	97.2
OAEM	**1.2**	0.5	0.9
Substandard/doubtful	**1.0**	1.3	1.9
	100.0 %	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2016, 2015 and 2014:

December 31, 2016:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 2,584,679**	**$ 509,372**	**$ 3,094,051**	**$ 613,930,804**	**$ 617,024,855**	**$ -**
Production and intermediate term	**89,133**	**-**	**89,133**	**49,752,828**	**49,841,961**	**-**
Loans to cooperatives	**-**	**-**	**-**	**6,606,807**	**6,606,807**	**-**
Processing and marketing	**-**	**-**	**-**	**20,734,968**	**20,734,968**	**-**
Farm-related business	**-**	**-**	**-**	**17,877,826**	**17,877,826**	**-**
Communication	**-**	**-**	**-**	**6,305,014**	**6,305,014**	**-**
Energy	**-**	**-**	**-**	**869,353**	**869,353**	**-**
Rural residential real estate	**182,348**	**94,983**	**277,331**	**11,029,317**	**11,306,648**	**-**
Lease receivables	**-**	**-**	**-**	**75,548**	**75,548**	**-**
Total	**$ 2,856,160**	**$ 604,355**	**$ 3,460,515**	**$ 727,182,465**	**$ 730,642,980**	**$ -**

December 31, 2015:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 2,020,399	$ 236,959	$ 2,257,358	$ 561,062,598	$ 563,319,956	$ -
Production and intermediate term	88,386	9,250	97,636	42,363,403	42,461,039	-
Loans to cooperatives	-	-	-	5,303,333	5,303,333	-
Processing and marketing	-	-	-	11,914,366	11,914,366	-
Farm-related business	-	-	-	15,333,046	15,333,046	-
Communication	-	-	-	8,233,647	8,233,647	-
Energy	-	-	-	2,369,066	2,369,066	-
Water and waste water	-	-	-	635,341	635,341	-
Rural residential real estate		13,507	13,507	15,415,859	15,429,366	-
Lease receivables	-	-	-	81,125	81,125	-
Total	$ 2,108,785	$ 259,716	$ 2,368,501	$ 662,711,784	$ 665,080,285	$ -

December 31, 2014:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 1,165,915	$ 333,087	$ 1,499,002	$ 541,751,694	$ 543,250,696	$ -
Production and intermediate term	32,062	-	32,062	37,750,373	37,782,435	-
Loans to cooperatives	-	-	-	3,093,736	3,093,736	-
Processing and marketing	-	-	-	5,904,647	5,904,647	-
Farm-related business	-	-	-	18,077,670	18,077,670	-
Communication	-	-	-	6,175,125	6,175,125	-
Energy	-	-	-	1,751,189	1,751,189	-
Water and waste water	-	-	-	942,017	942,017	-
Rural residential real estate	477,489	14,749	492,238	14,402,276	14,894,514	-
Lease receivables	-	-	-	86,153	86,153	-
Total	$ 1,675,466	$ 347,836	$ 2,023,302	$ 629,934,880	$ 631,958,182	$ -

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

A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of December 31, 2016, the total recorded investment of troubled debt restructured loans was $6,142,627, including $2,785,937 classified as nonaccrual and $3,356,690 classified as accrual, with specific allowance for loan losses of $118,529. As of December 31, 2016, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $0.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the years ended December 31, 2016, 2015 and 2014. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

December 31, 2016:	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Troubled debt restructurings:		
Real estate mortgage	**$ 1,766,209**	**$ 1,786,975**
Production and intermediate term	**729,934**	**734,424**
Total	**$ 2,496,143**	**$ 2,521,399**

December 31, 2015:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 723,153	$ 726,138
Rural residential real estate	212,462	204,101
Total	$ 935,615	$ 930,239

December 31, 2014:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 2,011,859	$ 2,028,086
Rural residential real estate	95,686	131,195
Total	$ 2,107,545	$ 2,159,281

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). Charge-offs recorded at the modification date were $0 for the year ending December 31, 2016.

The predominant form of concession granted for troubled debt restructuring includes rate reduction and term extension. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $0 million at December 31, 2016, December 31, 2015 and December 31, 2014.

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

	Loans Modified as TDRs		
	December 31, 2016	December 31, 2015	December 31, 2014
Troubled debt restructurings:			
Real estate mortgage	**$ 4,284,762**	$ 3,057,646	$ 3,490,639
Production and intermediate term	**735,960**	-	-
Farm-related business	**770,174**	881,931	906,566
Rural residential real estate	**351,731**	390,980	199,490
Total	**$ 6,142,627**	$ 4,330,557	$ 4,596,695

	TDRs on Nonaccrual Status*		
	December 31, 2016	December 31, 2015	December 31, 2014
Troubled debt restructurings:			
Real estate mortgage	**$ 1,833,415**	$ 1,918,149	$ 358,331
Farm-related business	**770,175**	881,931	906,566
Rural residential real estate	**182,347**	205,726	4,626
Total	**$ 2,785,937**	$ 3,005,806	$ 1,269,523

* represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2016	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 448,063	$ 446,158	$ 29,543	$ 213,625	$ 15,296
Farm-related business	770,175	4,694,397	101,985	795,002	-
Rural residential real estate	94,983	98,467	123	69,078	743
Total	$ 1,313,221	$ 5,239,022	$ 131,651	$1,077,705	$ 16,039
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 6,088,786	$ 6,042,513	$ -	$5,381,931	$ 150,584
Production and intermediate term	735,960	722,966	-	689,512	31,241
Rural residential real estate	366,673	366,073	-	384,646	7,735
Total	$ 7,191,419	$ 7,131,552	$ -	$6,456,089	$ 189,560
Total impaired loans:					
Real estate mortgage	$ 6,536,849	$ 6,488,671	$ 29,543	$5,595,556	$ 165,880
Production and intermediate term	735,960	722,966	-	689,512	31,241
Farm-related business	770,175	4,694,397	101,985	795,002	-
Rural residential real estate	461,656	464,540	123	453,724	8,478
Total	$ 8,504,640	$12,370,574	$ 131,651	$7,533,794	$ 205,599

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2015	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 145,814	$ 148,595	$ 5,518	$ 73,553	$ -
Farm-related business	881,931	4,806,154	101,985	894,543	-
Total	$ 1,027,745	$ 4,954,749	$ 107,503	$ 968,096	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 3,925,491	$ 3,920,419	$ -	$3,733,760	$ 61,901
Production and intermediate term	9,250	9,273	-	4,688	-
Farm-related business	-	106,483	-	2	-
Rural residential real estate	498,549	499,393	-	512,623	8,897
Total	$ 4,433,290	$ 4,535,568	$ -	$4,251,073	$ 70,798
Total impaired loans:					
Real estate mortgage	$ 4,071,305	$ 4,069,014	$ 5,518	$3,807,313	$ 61,901
Production and intermediate term	9,250	9,273	-	4,688	-
Farm-related business	881,931	4,912,637	101,985	894,545	-
Rural residential real estate	498,549	499,393	-	512,623	8,897
Total	$ 5,461,035	$ 9,490,317	$ 107,503	$5,219,169	$ 70,798

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2014	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Farm-related business	$ 906,565	$ 4,830,788	$ 124,742	$ 944,732	$ -
Rural residential real estate	14,749	14,749	1,200	14,485	-
Total	$ 921,314	$ 4,845,537	$ 125,942	$ 959,217	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 5,733,852	$ 6,141,751	$ -	$ 5,508,926	$ 167,782
Farm-related business	-	182,993	-	1	-
Rural residential real estate	537,199	537,864	-	531,005	9,618
Total	$ 6,271,051	$ 6,862,608	$ -	$ 6,039,932	$ 177,400
Total impaired loans:					
Real estate mortgage	$ 5,733,852	$ 6,141,751	$ -	$ 5,508,926	$ 167,782
Farm-related business	906,565	5,013,781	124,742	944,733	-
Rural residential real estate	551,948	552,613	1,200	545,490	9,618
Total	$ 7,192,365	$ 11,708,145	$ 125,942	$ 6,999,149	$ 177,400

[a] Unpaid principal balance represents the recorded principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2016, 2015 and 2014.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2016	2015	2014
Interest income which would have been recognized under the original terms	**$ 602,537**	$ 450,397	$ 965,794
Less: interest income recognized	**(323,841)**	(222,139)	(721,123)
Foregone interest income	**$ 278,696**	$ 228,258	$ 244,671

During 2016, management identified errors in the following table dating back to the year ended 2012. Specifically, the allowance for credit losses at each year end, the amount of provision for (reversal of) loan losses during each year presented as well as the ending balance collectively evaluated for impairment, by product type was incorrect. Management evaluated the impact of the errors to the disclosure and concluded that the disclosures were not materially misstated; however, management elected to revise the amounts presented in 2014 and 2015 in order to accurately present the activity by product type and to appropriately state the allowance for credit losses at the end of each year presented. Accordingly, the following table has been revised as of and for the years ended December 31, 2014 and 2015 to present the corrected amounts by product type. The error did not impact the total activity or the total allowance in any year presented nor were there other impacts to the previously issued financial statements.

A summary of the changes in the allowance for credit losses and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2015	$ 3,529,571	$ 282,298	$ 1,256,396	$ 67,936	$ 15,423	$ 22,647	$ 202,052	$ 379	$ 5,376,702
Charge-offs	(23,369)	-	(73,241)	-	-	-	(3,484)	-	(100,094)
Recoveries	5,279	23	106,483	116,294	-	-	182	-	228,261
Provision for loan losses	1,061,933	74,538	(871,461)	(136,904)	(3,425)	(22,647)	(87,643)	210	14,601
Other	(92,525)	-	-	-	-	-	-	-	(92,525)
Balance at December 31, 2016	$ 4,480,889	$ 356,859	$ 418,177	$ 47,326	$ 11,998	$ -	$ 111,107	$ 589	$ 5,426,945
Ending Balance: individually evaluated for impairment	$ 29,543	$ -	$ 101,985	$ -	$ -	$ -	$ 123	$ -	$ 131,651
Ending Balance: collectively evaluated for impairment	$ 4,451,346	$ 356,859	$ 316,192	$ 47,326	$ 11,998	$ -	$ 110,984	$ 589	$ 5,295,294
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2016	$ 617,024,856	$ 49,841,962	$ 45,219,600	$ 6,305,014	$ 869,353	$ -	$ 11,306,647	$ 75,548	$ 730,642,980
Ending balance for loans individually evaluated for impairment	$ 6,429,595	$ 721,735	$ 770,175	$ -	$ -	$ -	$ 461,029	$ -	$ 8,382,534
Ending balance for loans collectively evaluated for impairment	$ 610,595,261	$ 49,120,227	$ 44,449,425	$ 6,305,014	$ 869,353	$ -	$ 10,845,618	$ 75,548	$ 722,260,446

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2014	$ 3,577,418	$ 288,554	$ 1,140,788	$ 75,288	$ 16,434	$ 8,895	$ 95,359	$ 600	$ 5,203,336
Charge-offs	(3,691)	(23)	-	-	-	-	(4,920)	-	(8,634)
Recoveries	12,931	-	63,414	12,084	-	-	1,578	-	90,007
Provision for loan losses	(116,279)	(6,233)	52,194	(19,436)	(1,011)	13,752	110,035	(221)	32,801
Other	59,192	-	-	-	-	-	-	-	59,192
Balance at December 31, 2015	$ 3,529,571	$ 282,298	$ 1,256,396	$ 67,936	$ 15,423	$ 22,647	$ 202,052	$ 379	$ 5,376,702
Ending Balance: individually evaluated for impairment	$ 19,873	$ -	$ 825,145	$ -	$ -	$ -	$ 4,920	$ -	$ 849,938
Ending Balance: collectively evaluated for impairment	$ 3,509,698	$ 282,298	$ 431,251	$ 67,936	$ 15,423	$ 22,647	$ 197,132	$ 379	$ 4,526,764
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2015	$ 563,319,955	$ 42,461,039	$ 32,550,746	$ 8,233,647	$ 2,369,066	$ 635,341	$ 15,429,366	$ 81,125	$ 665,080,285
Ending balance for loans individually evaluated for impairment	$ 4,199,184	$ 9,250	$ 2,901,245	$ -	$ -	$ -	$ 498,020	$ -	$ 7,607,699
Ending balance for loans collectively evaluated for impairment	$ 559,120,771	$ 42,451,789	$ 29,649,501	$ 8,233,647	$ 2,369,066	$ 635,341	$ 14,931,346	$ 81,125	$ 657,472,586

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2013	$ 3,017,976	$ 305,501	$ 1,751,567	$ 98,814	$ 44,891	$ 21,327	$ 72,008	$ 517	$ 5,312,601
Charge-offs	(3,398)	-	(61,871)	-	-	-	(970)	-	(66,239)
Recoveries	81,587	-	63,414	-	-	-	-	-	145,001
Provision for loan losses	682,022	(16,947)	(612,322)	(23,526)	(28,457)	(12,432)	24,321	83	12,742
Other	(200,769)	-	-	-	-	-	-	-	(200,769)
Balance at December 31, 2014	$ 3,577,418	$ 288,554	$ 1,140,788	$ 75,288	$ 16,434	$ 8,895	$ 95,359	$ 600	$ 5,203,336
Ending Balance: individually evaluated for impairment	$ 10,938	$ -	$ 944,433	$ -	$ -	$ -	$ 1,200	$ -	$ 956,571
Ending Balance: collectively evaluated for impairment	$ 3,566,480	$ 288,554	$ 196,355	$ 75,288	$ 16,434	$ 8,895	$ 94,159	$ 600	$ 4,246,765
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2014	$ 543,247,595	$ 37,785,535	$ 27,076,054	$ 6,175,125	$ 1,751,189	$ 942,017	$ 14,894,514	$ 86,153	$ 631,958,182
Ending balance for loans individually evaluated for impairment	$ 5,750,944	$ -	$ 3,026,566	$ -	$ -	$ -	$ 551,433	$ -	$ 9,328,943
Ending balance for loans collectively evaluated for impairment	$ 537,496,651	$ 37,785,535	$ 24,049,488	$ 6,175,125	$ 1,751,189	$ 942,017	$ 14,343,081	$ 86,153	$ 622,629,239

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Bank is a requirement of borrowing from the Bank and is carried at cost plus allocated equities, not fair value, in the accompanying balance sheet. Estimating the fair value of the Association's investment in the Bank is not practicable because the stock is not traded. The Association owns 3.99% of the issued stock of the Bank as of December 31, 2016. As of that date, the Bank's assets totaled $21.2 billion and members' equity totaled $1.62 billion. The Bank's earnings were $192.4 million during 2016.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2016	2015	2014
Land and improvements	**$ 523,104**	$ 455,060	$ 629,445
Building and improvements	**3,125,761**	3,096,128	2,545,984
Furniture and equipment	**766,031**	775,032	725,891
Computer equipment and software	**256,930**	246,785	246,686
Automobiles	**1,065,360**	1,051,021	1,038,939
	5,737,186	5,624,026	5,186,945
Accumulated depreciation	**(2,155,186)**	(1,975,852)	(2,178,163)
Total	**$ 3,582,000**	$ 3,648,174	$ 3,008,782

The Association leases office space in Tallulah, Crowley, Arcadia and Port Allen, Louisiana. Lease expense was $109,221, $119,653 and $124,782 for 2016, 2015 and 2014, respectively. Minimum annual lease payments for the next five years are as follows:

	Operating
2017	$ 56,619
2018	34,751
2019	29,614
2020	7,994
2021	-
Total	$ 128,978

NOTE 6 — OTHER PROPERTY OWNED, NET:

Net gain on other property owned, net consists of the following for the years ended December 31:

	2016	2015	2014
Gain on sale, net	**$ 1,064**	$ 215,994	$ 1,216,404
Operating expense, net	**(329)**	(629)	(20,276)
Net gain on other property owned	**$ 735**	$ 215,365	$ 1,196,128

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2016	2015	2014
Accounts Receivable	**$ 465,835**	$ 472,913	$ 429,525
Total	**$ 465,835**	$ 472,913	$ 429,525

Other liabilities comprised the following at December 31:

	2016	2015	2014
Accumulated Postretirement Benefit Obligation	**$ 3,171,899**	$ 2,910,342	$ 3,070,049
Insurance Premium Payable	**876,750**	603,552	526,662
Accounts Payable	**147,627**	39,907	49,552
Income Taxes Payable	**8,491**	6,222	12,222
Other	**1,904,078**	1,383,526	1,355,746
Total	**$ 6,108,845**	$ 4,943,549	$ 5,014,231

"Other" includes items such as annual leave accrual for employees, incentive compensation accrual and allowance for loan losses on unfunded commitments.

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets, and is governed by a GFA. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2018 unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2016, 2015 and 2014, was $588,616,613 at 2.07 percent, $526,697,949 at 1.91 percent and $500,169,143 at 1.83 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2016, 2015 and 2014, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2016, was $716,691,956, as defined by the GFA.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the GFA associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2016, 2015 and 2014, the Association was in compliance with the covenants of the GFA.

NOTE 9 — MEMBERS' EQUITY:

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

The Association maintains an unallocated surplus account. The minimum amount for this account shall be prescribed by the FCA and FCA regulations. The Association does not have an allocated surplus account. Rather than earnings held therein and allocated to borrowers on a patronage basis, the Association funds 100 percent of any declared patronage through cash.

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans) and participation certificates (for farm related business) is equal to 2 percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. 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 capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the Board of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's Board. At December 31, 2016, the Association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A capital stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the Board may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2016, 2015 and 2014, respectively:

Date Declared	Date Paid	Patronage
December 2016	**Anticipated March 2017**	**$6,467,192**
	Total 2016	**$6,467,192**
December 2015	March 2016	$5,822,288
	Total 2015	$5,822,288
December 2014	April 2015	$4,500,000
	Total 2014	$4,500,000

The FCA's capital adequacy regulations require the Association to achieve permanent capital and total surplus of at least 7.0 percent and core surplus of at least 3.5 percent of risk-adjusted assets and off-balance-sheet commitments. Failure to meet the ratio requirements can initiate certain mandatory and possibly additional discretionary actions by the 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 stockholders unless prescribed capital standards are met. As of December 31, 2016, the Association is not prohibited from retiring stock or distributing earnings. The Association's permanent capital ratio, core surplus ratio and total surplus ratio at December 31, 2016, were 18.4 percent, 18.0 percent and 18.0 percent, respectively.

The Association has a capital adequacy plan (Plan) that includes capital targets necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. In addition to factors that must be considered in meeting the minimum standards, the Board considered the following factors in developing the Plan:

- Capability of Management
- Quality of operating policies, procedures and internal controls
- Quality and quantity of earnings
- Asset quality
- Sufficiency of liquid funds
- Needs of the ACA customer base
- Other operating risks

The Association's specific Plan includes a minimum permanent capital ratio of 15.0 percent, with a target permanent capital ratio of 19.35 percent. Also included are total surplus ratio and core surplus ratio targets of 19.0 percent, respectively. The Association expects to provide the majority of its present and future capital needs through the issuance of at-risk stock and the generation and retention of earnings. If necessary to attain the desired capital levels, the Association may employ strategies such as utilizing Farmer Mac guarantee programs to lower risk ratings, reducing earning assets through the sale of loan participations, utilizing FSA loan guarantees suspending payment of patronage and/or increasing capitalization requirements. If capital standards are exceeded, the Board may retire or redeem certain classes of equities. The Board may obligate the Association to distribute its earnings in the form of patronage to its members.

An FCA regulation empowers the FCA 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.

At December 31, the Association had the following shares of Class A capital stock, Class B stock and participation certificates outstanding at a par value of $5 per share:

	2016	2015	2014
Class A stock	**$ 494,027**	$ 474,078	$ 462,893
Participation certificates	**36,562**	35,605	33,371
Total	**$ 530,589**	$ 509,683	$ 496,264

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

Accumulated Other Comprehensive Income (Loss)			
December 31, 2016	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ (678,739)**	**$ -**	**$ (678,739)**
December 31, 2015	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ (506,680)	$ -	**$ (506,680)**
December 31, 2014	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ (802,940)	$ -	**$ (802,940)**

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	2016	2015	2014
Accumulated other comprehensive income (loss) at January 1	**$ (506,680)**	$ (802,940)	$ (126,794)
Actuarial gains(losses)	**(156,816)**	280,879	(636,094)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(51,010)**	(51,097)	(52,738)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**35,767**	66,478	12,686
Other comprehensive income (loss), net of tax	**(172,059)**	-	-
Accumulated other comprehensive income at December 31	**$ (678,739)**	$ (506,680)	$ (802,940)

NOTE 10 — INCOME TAXES:

The provision for (benefit from) income taxes follows for the years ended December 31:

Deferred:			
Federal	**$ 1,855**	$ 1,416	$ 21,881
Total deferred	**1,855**	1,416	21,881
Total provision for (benefit from) income taxes	**$ 1,855**	$ 1,416	$ 21,881

The provision for (benefit from) 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 for the years ended December 31:

	2016	2015	2014
Federal tax at statutory rate	**$ 3,756,550**	$ 3,561,877	$ 4,097,169
Effect of nontaxable FLCA subsidiary	**(3,787,183)**	(3,762,115)	(4,310,662)
Change in valuation allowance	**(53,016)**	88,615	214,616
Other	**85,504**	113,039	20,758
Provision for (benefit from) income taxes	**$ 1,855**	$ 1,416	$ 21,881

Deferred tax assets and liabilities in accordance with accounting guidance, “Accounting for Income Taxes,” are comprised of the following at December 31:

	2016	2015	2014
Deferred Tax Assets			
Allowance for loan losses	**$ 3,592**	$ 3,589	$ 3,592
Annual leave	**10,466**	10,252	10,840
Loss carryforwards	**232,214**	283,835	200,184
Other	**3,943**	4,435	-
Gross deferred tax assets	**250,215**	302,111	214,616
Deferred tax asset valuation allowance	**(250,215)**	(302,111)	(214,616)
Deferred Tax Liabilities			
Other	**(8,491)**	(6,868)	(5,220)
Gross deferred tax liabilities	**(8,491)**	(6,868)	(5,220)
Net deferred tax asset (liability)	**$ (8,491)**	$ (6,868)	$ (5,220)

The Association recorded valuation allowances of $250,215, $302,111 and $214,616 during 2016, 2015 and 2014, respectively. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

During 2016, the Association submitted amended tax returns for two prior years. The Association has opted to not carry a receivable and not record the income until the status of the amended returns is finalized. Should the Association receive any proceeds back due to the amendment, the Association will record that activity in the year the proceeds are received.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, “Summary of Significant Accounting Policies.” The structure of the District’s DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and Associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon district combination only. The Association records current contributions to the DB plan as an expense in the current year.

The CEO and certain executive or highly-compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) plan). This plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow “make-up” contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee’s account in the plan, and to designate a vesting schedule

The Association elected to participate in Elective Deferrals. There were no payments or contributions made to or from the supplemental 401(k) plan to active employees during 2016, 2015 and 2014.

The DB plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan’s funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan

sponsor is the Board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. Actuarial information regarding the DB pension plan accumulated benefit obligation and plan asset is calculated for the District as a whole and is presented in the District's Annual Report to Stockholders. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2016.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Funded status of plan	**66.4** %	66.8 %	67.5 %
Association's contribution	**$ 345,983**	$ 135,136	$ 148,069
Percentage of association's contribution to total contributions	**2.9** %	1.3 %	1.2 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 70.6 percent, 72.5 percent and 74.5 percent at December 31, 2016, 2015 and 2014, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2016**	2015	2014
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 2,910,342**	$ 3,070,049	$ 2,328,506
Service cost	**67,877**	74,534	57,560
Interest cost	**135,184**	138,135	119,201
Plan participants' contributions	**52,738**	58,523	34,329
Plan amendments	**-**	-	-
Special termination benefits	**-**	-	-
Actuarial loss (gain)	**156,816**	(280,879)	636,094
Benefits paid	**(142,936)**	(150,020)	(105,641)
Accumulated postretirement benefit obligation, end of year	**$ 3,180,021**	$ 2,910,342	$ 3,070,049
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Company contributions	**90,198**	91,497	71,312
Plan participants' contributions	**52,738**	58,523	34,329
Benefits paid	**(142,936)**	(150,020)	(105,641)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (3,180,021)**	$ (2,910,342)	$ (3,070,049)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (3,180,021)**	$ (2,910,342)	$ (3,070,049)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 768,004**	$ 646,955	$ 994,312
Prior service cost (credit)	**(89,265)**	(140,275)	(191,372)
Total	**$ 678,739**	$ 506,680	$ 802,940
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2016**	12/31/2015	12/31/2014
Discount rate	**4.60%**	4.70%	4.55%
Health care cost trend rate assumed for next year (pre-/post-65) - medical/Rx	**6.75%/6.50%**	7.00%/6.50%	7.25%/6.75%
Ultimate health care cost trend rate	**4.50%**	4.50%	5.00%
Year that the rate reaches the ultimate trend rate (pre-/post-65)	**2025/2024**	2025	2024

Total Cost	**2016**	2015	2014
Service cost	**$ 67,877**	$ 74,534	$ 57,560
Interest cost	**135,184**	138,135	119,201
Unrecognized prior service cost	**(51,010)**	(51,097)	(52,738)
Unrecognized net loss (gain)	**35,767**	66,478	12,686
Net postretirement benefit cost	**$ 187,818**	$ 228,050	$ 136,709
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 156,816**	$ (280,879)	$ 636,094
Amortization of net actuarial loss (gain)	**(35,767)**	(66,478)	(12,686)
Amortization of prior service cost	**51,010**	51,097	52,738
Total recognized in other comprehensive income	**$ 172,059**	$ (296,260)	$ 676,146
AOCI Amounts Expected to be Amortized Into Expense in 2017			
Unrecognized prior service cost	**(51,010)**	(51,010)	(51,097)
Unrecognized net loss (gain)	**46,077**	35,767	66,478
Total	**$ (4,933)**	$ (15,243)	$ 15,381
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2016**	12/31/2015	12/31/2014
Discount rate	**4.70%**	4.55%	5.20%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.00%/6.50%**	7.25%/6.75%	7.50%/6.50%
Ultimate health care cost trend rate	**4.50%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate (pre-/post-65)	**2025/2024**	2024	2024

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)			
Fiscal 2017	**$ 100,210**	$ -	$ -
Fiscal 2018	**99,910**	-	-
Fiscal 2019	**116,869**	-	-
Fiscal 2020	**118,143**	-	-
Fiscal 2021	**119,117**	-	-
Fiscal 2022–2026	**748,609**	-	-
Expected Contributions			
Fiscal 2017	**$ 100,210**	$ -	$ -

NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its employees, officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers. All loans made to employees, officers, relatives of officers and directors, or with organizations with which such persons are associated were made in the ordinary course of business.

Total loans to such persons for the Association amounted to $16,839,990, $22,752,271 and $27,164,550 at December 31, 2016, 2015 and 2014, respectively. During 2016, $6,905,256 of new loans were made, and repayments totaled $4,607,333. In the opinion of management, no such loans outstanding at December 31, 2016, 2015 and 2014 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the Associations, such as FCSIC expenses. The Bank charges the individual Associations directly for these services based on each Association's proportionate usage. These expenses totaled $119,163, $140,619 and $137,504 in 2016, 2015 and 2014, respectively.

The Association received patronage payments from the bank totaling $2,700,974, $2,517,134 and $2,498,460 during 2016, 2015 and 2014, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2016	**Fair Value Measurement Using**			**Total Fair**	**Total**
	Level 1	**Level 2**	**Level 3**	**Value**	**Gains (Losses)**
Assets:					
Loans	**$ -**	**$ -**	**$4,902,356**	**$4,902,356**	**$ -**
Other property owned	**-**	**-**	**82,874**	**82,874**	**-**

December 31, 2015	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Gains (Losses)
Assets:					
Loans	$ -	$ -	$ 4,028,781	$ 4,028,781	$ -
Other property owned	-	-	-	-	-

December 31, 2014	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Gains (Losses)
Assets:					
Loans	$ -	$ -	$ 3,739,251	$ 3,739,251	$ -
Other property owned	-	-	798,606	798,606	-

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the balance sheet for each of the fair value hierarchy values are summarized as follows:

	December 31, 2016				
	Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 2,849**	**$ 2,849**	**$ -**	**$ -**	**$ 2,849**
Net loans	**713,752,061**	**-**	**-**	**699,858,750**	**699,858,750**
Total Assets	**$ 713,754,910**	**$ 2,849**	**$ -**	**$ 699,858,750**	**$ 699,861,599**
Liabilities:					
Note payable to bank	**$ 588,616,613**	**$ -**	**$ -**	**$ 576,277,711**	**$ 576,277,711**
Total Liabilities	**$ 588,616,613**	**$ -**	**$ -**	**$ 576,277,711**	**$ 576,277,711**

	December 31, 2015				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 81,673	$ 81,673	$ -	$ -	$ 81,673
Net loans	650,077,656	-	-	646,542,657	646,542,657
Total Assets	$ 650,159,329	$ 81,673	$ -	$ 646,542,657	$ 646,624,330
Liabilities:					
Note payable to bank	$ 526,697,949	$ -	$ -	$ 518,740,117	$ 518,740,117
Total Liabilities	$ 526,697,949	$ -	$ -	$ 518,740,117	$ 518,740,117

	December 31, 2014				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 70,412	$ 70,412	$ -	$ -	$ 70,412
Net loans	618,177,855	-	-	617,029,047	617,029,047
Total Assets	$ 618,248,267	$ 70,412	$ -	$ 617,029,047	$ 617,099,459
Liabilities:					
Note payable to bank	$ 500,169,143	$ -	$ -	$ 494,276,553	$ 494,276,553
Total Liabilities	$ 500,169,143	$ -	$ -	$ 494,276,553	$ 494,276,553

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Loans

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Note Payable to the Bank

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that the earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair value would be indicative of the value negotiated in an actual sale.

Information about Other Financial Instruments' 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
Note payable to bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

NOTE 14 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial 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. At December 31, 2016, $80,956,440 of commitments and $743,337 of commercial letters of credit were outstanding.

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 balance sheet 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.

NOTE 15 — REGULATORY ENFORCEMENT MATTERS

The Association entered into an Agreement with the FCA on March 15, 2011. Per the Agreement, the Association was subject to various operational, financial, compliance and reporting requirements. The conditions which led to this Agreement were unsafe and unsound conditions, including excessive portfolio risk and asset quality weakness which stemmed from weaknesses in the credit underwriting function which became apparent with the downturn in the overall economy. The Board and management worked to remediate the underlying causes which led to the need for the Agreement with the FCA. Effective January 23, 2014, the FCA terminated the Agreement with the Association.

NOTE 16 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2016				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 4,868**	**$ 4,743**	**$ 4,871**	**$ 4,879**	**$ 19,361**
(Provision for) reversal of loan losses	**62**	**(33)**	**(22)**	**(22)**	**(15)**
Noninterest income (expense), net	**(2,257)**	**(2,041)**	**(2,185)**	**(2,132)**	**(8,615)**
Net income	**$ 2,673**	**$ 2,669**	**$ 2,664**	**$ 2,725**	**$ 10,731**

	2015				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,396	$ 4,561	$ 4,494	$ 4,445	$ 17,896
(Provision for) reversal of loan losses	(5)	(10)	(9)	(9)	(33)
Noninterest income (expense), net	(2,316)	(2,026)	(1,786)	(1,560)	(7,688)
Net income	$ 2,075	$ 2,525	$ 2,699	$ 2,876	$ 10,175

	2014				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,398	$ 5,087	$ 4,347	$ 4,377	$ 18,209
(Provision for) reversal of loan losses	-	-	(10)	(3)	(13)
Noninterest income (expense), net	(2,186)	(1,983)	(526)	(1,887)	(6,582)
Net income	$ 2,212	$ 3,104	$ 3,811	$ 2,487	$ 11,614

NOTE 17 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 24, 2017, which is the date the financial statements were issued or available to be issued.

There are no subsequent events requiring disclosure as of March 24, 2017.

DISCLOSURE INFORMATION AND INDEX

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

The Louisiana Land Bank (Association) serves its 64-parish territory through its main administrative and lending office at 2413 Tower Drive, Monroe, Louisiana, 71201. Additionally, there are 10 branch lending offices located throughout the territory. The Association owns the office buildings in Hammond, Monroe, Opelousas, Shreveport, Winnsboro and Alexandria, free of debt. The Association leases the office buildings in Arcadia, Crowley, Port Allen and Tallulah, Louisiana.

The Association organized Louisiana ASA, LLC for the purpose of managing a complex, out of state adverse credit relationship. The entity has no assets as of the date of this report.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, "Note Payable to the Bank," Note 11, "Employee Benefit Plans" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 14 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

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

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

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, Louisiana, 71201 or calling 318-387-7535. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *debbie.bond@louisianalandbank.com.* The Association's annual stockholder report is available on its website at www.louisianalandbank.com 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2016, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected Board of Directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
James Mark Morgan	Chairman & Stockholder Elected Director	2011	2017
John L. "Jack" Dailey	Vice Chairman & Stockholder Elected Director	2012	2019
Donald Berken	Stockholder Elected Director	2015	2018
Henry Capdeboscq, Jr.	Stockholder Elected Director	2008	2017
Grady E. Coburn	Stockholder Elected Director	2012	2019
John F. Earles	Stockholder Elected Director	2010	2019
Gertrude Hawkins	Stockholder Elected Director	2002	2017
Cecelia A. Hoyt	Board Appointed Director	2013	2019
Cullen M. Kovac	Stockholder Elected Director	2011	2018
Edward W. Patrick, Jr.	Stockholder Elected Director	1994	2018
Robert James "Bobby" Soileau	Board Appointed Director	2015	2018
F. Stephen Austin	CEO	2011	
Christopher E. Bentley	CFO	2008	
Brian D. Turner	CCO	2012	
Robert Wes Lowe	Chief Appraisal Officer	2012	
David A. Ogletree	Senior VP of Lending & Field Operations	1990	

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

James Mark Morgan has been employed since 1974 by Atco Investment Company, a privately owned investment group. He has served as the general manager of Atco for the last 25 years, and this has been his principal occupation for the last 5 years. Mr. Morgan is the managing partner of Louisiana Timber Partners, LLC, a timber land investment organization. Mr. Morgan is also the managing partner of Morgan Brothers Land Co., Morgan Land and Timber, LLC and Morgan Timber Partners, LLC, all family-owned land and timber investment companies. He is also the manager of three farming operations located in Natchitoches Parish, La. They are Bayou Camitte Lands, LLC, Oaklawn Chico, LLC and Melrose Plantation, LLC. Mr. Morgan is Louisiana Land Bank's representative and serves as secretary on the Farm Credit Bank of Texas Stockholder Advisory Council and member of the 10th District Farm Credit Council. He is a member of the Louisiana Forestry Association and the Texas Forestry Association and serves on the board for the Shreveport/Bossier Military Affairs Council.

Donald Berken is a self-employed rice and soybean farmer. He has been farming for the last 42 years. Mr. Berken is also president of Berken Farms, Inc., a family farm corporation. Mr. Berken serves on the boards of Jeff Davis Farm Bureau, Jeff Davis Rice Growers, La. Rice Council, La. Rice Research board, and La. Agricultural Commodities commission. Mr. Berken serves on the Regulatory and Food Safety, PAC, and Communications committees of the USA Rice Federation. Mr. Berken also serves as chairman of the La. Farm Bureau Rice Advisory Committee.

John L. "Jack" Dailey is an owner and operator of Boeuf Prairie Farm, which produces cotton, corn, soybeans, and cattle, and this has been his principal occupation for the past 5 years. Mr. Dailey serves as board member of the Franklin Parish Fire Protection District 2, Franklin Parish Farm Bureau, Louisiana Boll Weevil Eradication Commission, and Matthews Cemetery, Inc. Mr. Dailey is a manager for the Franklin Farmer Alliance, LLC, which is a farmer-owned agriculture retail store.

Henry A. Capdeboscq, Jr. is a self-employed dairy and beef cattle operator, which has been his principal occupation for the past 5 years. Mr. Capdeboscq is also owner of Capdeboscq Farm Trucking, LLC and Capdeboscq Farm Hauling, LLC. Mr. Capdeboscq serves on the board of the Tangipahoa Parish Cattlemen's Association and is a board member on the Louisiana Brand Commission. Mr. Capdeboscq is also a member of the Tangipahoa Parish Farm Bureau, Tangipahoa Parish Forestry Association, Tangipahoa Parish Dairy Advisory Committee, and Louisiana Cattlemen's Association.

Grady E. Coburn, Ph.D. is the owner and president of Pest Management Enterprises, which has been his principal occupation for the past 5 years. Mr. Coburn has worked as an agricultural consultant and independent contract researcher for 40 years. He is a board member and chairman of the Louisiana Department of Agriculture Pesticide Advisory Commission, board member of the Boll Weevil Eradication Technical Advisory Board, member of the Bayou Boeuf Cooperative board of directors and board member of the Global Alliance of Independent Agricultural Consultants.

John F. Earles co-owns and operates Triple E Farms, which has been his principal occupation for the past 5 years. Mr. Earles is president of Townsend Brothers Farms and serves as secretary/treasurer for Triple E Land Grading. He is president of Earles, Inc., a land and rice dryer organization, Gold Dust Hunting Club Inc., and Black Lake Hunting Club, Inc. Mr. Earles serves as secretary/treasurer of Triple E Land Grading, a precision land leveling and development organization, Townsend Brother Farms, Inc., Cenla Fuels, LLC, and Bunkie Flying Service, Inc. He currently serves as a police juror for Avoyelles Parish.

Gertrude Hawkins is employed by the LSU AgCenter Sugar Research Station where she is a research associate. This has been her principal occupation for the past 5 years. She farms cotton, corn, soybeans, sugarcane and wheat with her brother. She manages the Edgar LaCour Land Company, LLC, which is a family-owned business consisting of timber and row crops. Mrs. Hawkins also manages LaCour & Blake, LLC and Blue Lake Farms, LLC, and is a partner in G&L Farm Partnership and GNG Farm Partnership. She is a board member of the Pointe Coupee Parish Farm Bureau, Edgar LaCour Land Company, LLC, LaCour & Blake, LLC, and Blue Lake Farms, LLC. Mrs. Hawkins is also the president of Schwab Farms, Inc. and secretary for Bouanchaud Farms, Inc., Gilmer Farms, Inc., and G&M Farms, Inc. Mrs. Hawkins serves as a member of American Sugar Cane League, Louisiana Sugar Growers, American Society of Sugar Cane Technologists, and Tri Parish Gin.

Cecelia A. Hoyt is a Certified Public Accountant with over 30 years of broad accounting and business experience and expertise. She earned a B.S. Degree in Biology from the University of New York at Buffalo and a B.S Degree in Accounting from Canisius College. Mrs. Hoyt's principal occupation for the past 5 years has been as a part-time controller and accounting manager for Hoyt and Stanford, LLC and as a part-time tax associate for Darnall, Sikes, Gardes & Frederick, ACCPAs. Mrs. Hoyt is a member of the American Institute of Certified Public Accountants and the Louisiana State Society of Certified Public Accountants.

Cullen M. Kovac is a co-owner/operator in Kovac Cattle, Inc., which is a cow/calf and stocker operation, which has been his principal occupation for the past 5 years. Mr. Kovac is vice president of the Fiske Union Water System. He also serves as chairman of the West Carroll Soil and Water Conservation District Board and is president of the West Carroll Parish Farm Bureau Board. Mr. Kovac also serves as board director on the West Carroll Parish School Board.

Edward W. Patrick, Jr. is a self-employed farmer of cotton, rice, corn and soybeans, which has been his principal occupation for the past 5 years. Mr. Patrick is co-owner and operator of Joe's Bayou Gin. Mr. Patrick serves as president and director of Joe's Bayou Farm Supply, PP&E Corporation and Pop Pat, Inc. PP&E Corporation and Pop Pat, Inc. are both farming entities. He is also vice-president and director of Joe's Bayou Gin. Mr. Patrick is a director on the East Carroll Farm Bureau Board.

Robert James "Bobby" Soileau received an M.S. and Ph.D. degree in agricultural education and leadership from Louisiana State University. Since 2005, Mr. Soileau has been the associate director and now is director of agricultural leadership for LSU AgCenter. Mr. Soileau oversees the leadership programs for people in agriculture and agribusiness and the LSU AgCenter and College of Agriculture facility. Mr. Soileau is a member of the International Association of Programs for Agricultural Leadership and Agricultural Leaders of Louisiana.

F. Stephen Austin serves as the **chief executive officer** for Louisiana Land Bank, ACA. Mr. Austin joined the Association in 2011 as chief credit officer and was promoted to CEO in 2013. Mr. Austin's principal occupation for the past 5 years has been with the Association. Mr. Austin earned a B.S. Degree in Agriculture with a minor in Marketing from Southeast Missouri State University. He also completed the Graduate School of Banking at Louisiana State University. His work experience includes over 17 years in lending and branch manager positions with the Farm Credit System entities in Illinois and Missouri. Prior to his tenure with the Association, he served for over 8 years as the senior lender of a regional five-bank holding company in southeast Missouri.

Christopher E. Bentley, chief financial officer, joined the Association in July 2008 and was promoted to CFO during 2012. He is a graduate of Louisiana Tech University with a Bachelor of Science Degree in Finance. Mr. Bentley has previously served as senior accountant, controller, and director of compliance, controls and risk management for the Association. Prior to his employment with the Association, Mr. Bentley spent over 4 years working for a regional commercial bank, primarily with the commercial real estate lending group. Mr. Bentley also serves as chairman of the Association's Asset/Liability Committee.

Brian D. Turner, chief credit officer, joined the Association in January 2012 as director of compliance, controls and risk and was promoted to chief credit officer during 2013. His principal occupation during the past 5 years has been with the Association and SVP, Credit Risk Management with a commercial bank. Prior to joining the Association, Mr. Turner had been employed in commercial banking for 17 years with experience in credit analysis, commercial lending, and risk management. He received a B.A. Degree in Legal Studies from the University of Louisiana at Monroe and an M.B.A. in Finance from Louisiana Tech. He has completed the Graduate School of Banking at Louisiana State University. Mr. Turner also serves as chairman of the Association's Loan Committee.

David A. Ogletree has been with the Association since 1987 and currently serves as **senior vice president of lending and field operations.** He has B.S. Degrees in Animal Science and Agricultural Business from Louisiana Tech University and completed the Graduate School of Banking at Louisiana State University. Mr. Ogletree also serves as chairman on the board of the Ark-La-Tex Agricultural Council which is a nonprofit organization that promotes agriculture in the state of Louisiana.

Robert "Wes" Lowe joined the Association as senior appraiser in July 2012 and was promoted to **chief appraisal officer** in 2013. His principal occupation during the past 5 years has been with the Association and as a review appraiser for the U.S. Corps of Engineers in the New Orleans and Vicksburg Districts. He also worked as an independent fee appraiser and real estate broker in northeast Louisiana and southeast Arkansas for over 15 years specializing in agricultural and recreational properties. Mr. Lowe received a B.S. Degree in Construction Management from the University of Louisiana at Monroe and is an accredited ARA member of the American Society of Farm Managers and Rural Appraisers.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium. The Chairman of the Board received a monthly retainer of $2,500 in lieu of any other payment for Board or committee meeting attendance and received the same compensation as any other director for training days, attending the FCBT annual meeting, attending national meetings or special assignments, etc. The Vice Chairman received a monthly retainer of $1,250, and all other directors received a monthly retainer of $1,000.

Directors, other than the Chairman of the Board, received $750 for attending each Board meeting, with no additional compensation for attending committee meetings on the same day of the Board meeting being paid. The compensation or honorarium for attending external training sessions, attending District or national Farm Credit meetings, attending a committee meeting on a non-board meeting day, or undertaking special assignments as directed by the Chairman of the Board will be paid $500 per day. Committee chairs except for the Audit Committee chair received an additional $150 for organizing, attending and presiding at committee meetings, whether on the same day as the Board meeting or on a different day. The Audit Committee Chair received an additional $250 per Audit Committee meeting. Conference call with the exception of the Chairman of the Board was $150.

Actual travel expenses will be paid in connection with all official meetings, and the mileage reimbursement rate will be at the current IRS-approved rate of 54.0 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2016**
James Mark Morgan	10	11	$ 36,250
John L. "Jack" Dailey	10	17.5	27,950
Donald Berken	8	16	23,100
Henry Capdeboscq, Jr.	10	14	23,300
Grady E. Coburn	9	12	23,450
John F. Earles	10	7	22,050
Gertrude Hawkins	10	8	23,250
Cecelia A. Hoyt	10	20.5	29,350
Cullen M. Kovac	10	13	25,350
Edward W. Patrick, Jr.	10	10	22,850
Robert James "Bobby" Soileau	9	6	20,450
			$277,350

The aggregate compensation paid to directors in 2016, 2015 and 2014 was $277,350, $298,900 and $231,550, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2016:

	Committee		
Director	**Audit**	**Compensation**	**Governance**
James Mark Morgan	$ -	$ -	$ -
John L. "Jack" Dailey	600	-	-
Donald Berken	1,050	-	-
Henry Capdeboscq, Jr.	750	-	-
Grady E. Coburn	-	150	-
John F. Earles	-	-	-
Gertrude Hawkins	-	1,200	-
Cecelia A. Hoyt	4,050	-	-
Cullen M. Kovac	-	-	300
Edward W. Patrick, Jr.	300	-	-
Robert James "Bobby" Soileau	-	150	-
	$6,750	$1,500	$ 300

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $74,696, $63,949 and $67,539 in 2016, 2015 and 2014, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Fair and uniform salary administration is important and an integral part of the success of Louisiana Land Bank, ACA. The Board, through its Compensation Committee (Committee), has pursued a Salary Administration Plan for the Association that includes the specific objectives as listed below:

- To attract, retain and motivate all personnel needed for the Association to achieve its strategic goals and project plans;
- To ensure fair and equitable compensation opportunities for those who hold positions of comparable responsibility and importance to the Association;
- To meet legal requirements in all compensation practices;
- To provide objective methods for measuring the relative value of jobs within the Association;
- To encourage the highest possible degree of employee performance, motivation and overall contribution to the Association;
- To provide for recognition of and reward for differences in individual ability and performance;
- To establish and maintain salaries and grade ranges which position the Association to be competitive in the marketplace;
- To establish procedures that will provide for the fair and consistent monitoring of the salary administration system and application of salary practices within our organization.

The Committee establishes the overall compensation structure and executive compensation philosophy and principles of the Association in order to ensure competitive compensation programs and retention of key management and staff talent. The Committee annually reviews the Salary Administration Plan which addresses merit increases, salary adjustments, incentive plans, bonuses and employee benefits and approves these programs for senior officers and employees. Market salary data is derived from an independent third-party vendor through the Bank which is utilized to ensure that proper compensation structures are in line with market-comparable positions with similarly situated financial institutions. The study provides the basis for actions by the Committee to review, recommend and present to the Board plans for final approval. The Committee makes recommendations to the Board with regard to base salary, incentive and/or bonus payments and other compensation for the CEO and also approves the overall compensation program for senior officers. The Association's compensation program encompasses four primary elements: (1) base salary, (2) discretionary and/or incentive bonus compensation, (3) Association-paid retirement benefits and (4) secondary benefits such as annual leave, Association-paid life insurance and Association-provided vehicles.

Certain employees of the Association participate in the Farm Credit Bank of Texas Pension Plan (the Pension Plan), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave that may be paid in cash at the time of termination, retirement or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average of monthly eligible compensation after 1996 (FAC60). The Pension Plan's benefit formula for a normal retirement pension is the sum of (a) 1.65 percent of FAC60 times Years of Benefit Service and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation times (ii) Years of Benefit Service (not to exceed 35).

Chief Executive Officer (CEO) Compensation Policy

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2016, 2015 and 2014. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	Salary(b)	Bonus(c)	Change in Pension Value(d)	Deferred/ Perquisite(e)	Other(f)	Total
F. Stephen Austin							
CEO	**2016**	**$ 258,300**	**$ 50,350**	**$ -**	**$ 28,096**	**$ -**	**$ 336,746**
	2015	246,000	49,550	-	28,640	-	324,190
	2014	235,000	45,300	-	28,565	-	308,865
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)							
5	**2016**	**$ 824,646**	**$ 128,074**	**$ 253,878**	**$ 102,793**	**$ -**	**$1,309,391**
5	2015	788,595	176,037	61,573	99,931	10,449	1,136,585
6	2014	907,975	148,272	495,207	107,121	12,429	1,671,004

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 90 days of the subsequent calendar year.
(d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
(e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance, AD&D, business travel insurance, and LTD insurance.
(f) Amounts in the "Other" column include annual leave hours and/or severance pay at time of retirement, resignation, or termination.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer and/or highly compensated employee included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Salary is the base salary compensation earned and paid during the respective year. Incentive compensation is earned and accrued in the current year, pursuant to the Association's Incentive Compensation Plan. Over and above base salary, incentive compensation is available to all full-time, permanent employees, based upon the achievement of predetermined performance goals. The Association's Incentive Compensation Plan and total incentive compensation dollars are approved annually by the Committee and are at the full discretion of the Board.

The incentive plan is a metric-based plan that measures Association key result areas including specific Association target checks. Senior officers and employees are covered by the plan. The administrative staff and lending staff operate on separate plans approved by the Committee and the Board. The lending staff plan allocates potential incentive pay of a percentage of salary based on performance. Key result areas include loan volume growth, loans closed volume, credit quality, interest rate spread, fees collected on loans closed and net income. The weighting of these areas is consistent with Association business goals as approved by the Board. In addition, targets are incorporated into the plan so that if the Association does not perform as required, then no incentive compensation is allocated to individuals. The target checks include minimum and zero compensation measurement of Association credit quality and earnings to derive a final incentive payout. Payment of incentive compensation is paid on a lump sum basis after the Committee recommends and the Board approves the final payouts. The administrative staff plan is a metric-

based plan that measures the Association's key result areas. Senior officers (excluding the CEO & SVP/Lending & Field Operations) and administrative employees are covered by the plan. The plan allocates potential incentive pay as a percentage of salary based on performance. Key result areas include areas deemed critical to operations including loan growth, credit quality and credit administration. The weighting of these areas is consistent with Association's business goals as approved by the Board. The combined awards cannot exceed the incentive pool funding. The pool funding amount is calculated on a percentage of actual versus budget results. Both plans contain a maximum funding ceiling capped at a Board-approved percentage (25 percent) of the combined base salaries of the administrative and branch employees. The plans are focused on helping the Association fulfill its charter to serve the borrowers' needs of the agribusiness community of Louisiana.

Deferred and perquisite compensation includes retirement plan activity, which is contributions to 401(k) plans, defined benefit plans, premiums paid for life, accidental, death and dismemberment, business travel, and long-term disability insurance. Other compensation includes any severance pay and/or accrued annual leave paid at termination. Group term life insurance is provided to all eligible employees in an amount equal to two times the employees' base salary, up to $1 million. To the extent that the value of this life insurance exceeds $50,000, an amount is added to each respective employee's taxable earnings using the IRS-approved calculations. Accidental, death and dismemberment insurance is provided to all eligible employees in an amount equal to two times the employees' base salary, up to $1 million. Business travel accident insurance is provided to all eligible employees in an amount equal to five times the employees' base salary, up to $2 million. Long-term disability insurance is provided to all eligible employees with a benefit amount equal to two thirds of the employees' monthly base salary, up to $15,000 per month. Amounts relating to life, AD&D, business travel and LTD insurance are included in "Deferred/Perquisite" in the table of CEO/Top 5 Compensation.

Employee's assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2016 at the IRS-approved rate of 54 cents per mile.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel procedures is available to shareholders upon request.

Neither the CEO nor any other senior officer received non-cash compensation exceeding $5,000 in 2016, 2015 or 2014.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the CEO for the year ended December 31, 2016:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2016
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable) 1	Farm Credit Bank of Texas Pension Plan	35	$ 1,690,180	$ -

There are no senior officers currently in the defined benefit pension plan.

Pension Benefits Table Narrative Disclosure

Certain senior officers and other highly compensated employees of the association participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to

exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors has been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer on January 1, 2014 or any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

There were no changes in the relationship with the independent auditor during 2016. The fees for professional services rendered for the Association by PricewaterhouseCoopers, LLP during 2016 were $77,600 for audit and $15,800 for tax services.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers, LLC dated March 24, 2017, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of young, beginning and small farmers (YBS) and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of the YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standard possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets annual goals and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young", beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of loan date
- Beginning: 10 years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250,000 in annual gross sales of agricultural products

The 2012 USDA Census of Agriculture for Louisiana indicates that 5.29 percent of the total number of Louisiana farmers were classified as Young, 25.25 percent were classified as Beginning, and 91.24 percent were classified as Small.

Goals for YBS lending, as a percentage of the total loan portfolio, and strategic performance levels are established as follows: *(The following percentages are cumulative in volume, and categories are inclusive)*

Overall Portfolio	9/30/16 – Actual (LA4190RS)		Goals					
			2017		2018		2019	
	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume
Young	20.89	12.76	20.95	12.80	21.00	12.85	21.05	12.90
Beginning	53.85	48.34	53.90	48.35	53.95	48.40	54.00	48.45
Small	74.50	57.50	74.55	57.55	74.60	57.60	74.65	57.65

Goals for YBS lending, as a percentage of the annual new business activity for the year, are established as follows: *(The following percentages are cumulative in volume, and categories are inclusive)*

New Loans	9/30/16 – Actual (LA4190RS)		Goals					
			2017		2018		2019	
	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume
Young	18.70	11.41	18.75	11.45	18.85	11.50	18.95	11.60
Beginning	46.11	45.33	46.15	45.35	46.20	45.40	46.25	45.45
Small	66.50	48.30	66.55	48.35	66.60	48.40	66.65	48.45