LOUISIANA LAND BANK, ACA

Stockholder's Quarterly Financial Report
For the Quarter and Six Months Ended
June 30, 2017

REPORT OF MANAGEMENT

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

F. Stephen Austin, Chief Executive Officer

August 8, 2017

James Mark Morgan, Chairman, Board of Directors

August 8, 2017

Christopher E. Bentley, Chief Financial Officer

August 8, 2017

The following commentary reviews the financial performance of the Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended June 30, 2017. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2016 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events:

The Association's board of directors (Board) declared a patronage of $6.5 million to eligible stockholders from 2016's earnings. The patronage is in the form of a qualified patronage distribution. The increase in the qualified patronage distribution, compared to the prior year is just over 12%. This marks the fifth consecutive year that the Association has increased and paid a cash patronage to eligible borrowers.

The collection and recovery efforts on adverse assets that were booked in 2007, 2008 and 2009 have stabilized. Management does not expect any significant recoveries this operating year. During the first half of 2016, the Association collected just over $282,000 in foregone interest and recovered just over $106,000 in charged off loan balances. The 2017 recoveries and collections have been very minimal as management has unwound from the majority of these adverse assets.

The Board and management are committed to maintaining the financial integrity of the Association while offering competitive loan products and services that meet the needs of Louisiana's agricultural producers. Louisiana Land Bank is a proud member of the Farm Credit System, which just concluded celebrating its centennial anniversary last year. Serving the needs of Louisiana's rural and agricultural communities is the priority for Louisiana Land Bank for the next 100 year.

Loan Portfolio:

The Association principally 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 loans are available to eligible borrowers with competitive prime- and LIBOR (London InterBank Offered Rate)-based, fixed and adjustable interest rates and loan maturities ranging up to 40 years. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with seasonal cash-flow capabilities of the borrower.

Total loans outstanding at June 30, 2017, including nonaccrual loans and sales contracts, were $745,760,939 compared to $724,081,362 at December 31, 2016, reflecting an increase of 3.0 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.7 percent at June 30, 2017, compared to 0.6 percent at December 31, 2016.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended June 30, 2017, and $6,303 in recoveries and $0 in charge-offs for the same period in 2016. The Association's allowance for loan losses was 0.7 percent and 0.7 percent of total loans outstanding as of June 30, 2017, and December 31, 2016, 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. The following table illustrates the association's components and trends of high-risk assets.

	June 30, 2017		December 31, 2016	
	Amount	**%**	Amount	%
Nonaccrual	**$ 5,367,918**	**57.9%**	$ 5,017,617	58.5%
Formally restructured	**3,746,796**	**40.4%**	3,356,690	40.6%
Other property owned, net	**161,654**	**1.7%**	74,587	0.9%
Total	**$ 9,276,368**	**100.0%**	$ 8,448,894	100.0%

Results of Operations:

The Association had net income of $2,688,139 and $5,447,160 for the three and six months ended June 30, 2017, as compared to net income of $2,669,217 and $5,341,704 for the same period in 2016, reflecting an increase of 0.7 and 2.0 percent. Net interest income was $5,029,270 and 10,031,759 for the three and six months ended June 30, 2017, compared to $4,743,485 and $9,611,268 for the same period in 2016.

	Six months ended:			
	June 30, 2017		June 30, 2016	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 728,774,596**	**$ 16,273,040**	$ 688,449,493	$ 14,973,994
Total interest-earning assets	**728,774,596**	**16,273,040**	688,449,493	14,973,994
Interest-bearing liabilities	**593,940,327**	**6,241,281**	557,301,992	5,362,726
Impact of capital	**$ 134,834,269**		$ 131,147,501	
Net interest income		**$ 10,031,759**		$ 9,611,268

	2017 Average Yield	2016 Average Yield
Yield on loans	**4.50%**	4.37%
Total yield on interest-earning assets	**4.50%**	4.37%
Cost of interest-bearing liabilities	**2.12%**	1.94%
Interest rate spread	**2.38%**	2.44%
Net interest income as a percentage of average earning assets	**2.78%**	2.81%

	Six months ended: June 30, 2017 vs. June 30, 2016		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 874,661**	**$ 424,385**	**$ 1,299,046**
Total interest income	**874,661**	**424,385**	**1,299,046**
Interest expense	**351,581**	**526,974**	**878,555**
Net interest income	**$ 523,081**	**$ (102,590)**	**$ 420,491**

Interest income for the three and six months ended June 30, 2017, increased by $744,830 and $1,299,046, or 9.9 and 8.7 percent respectively, from the same period of 2016, primarily due to an increase in average loan volume. Interest expense for the three and six months ended June 30, 2017, increased by $459,045 and $878,555, or 16.4 and 16.4 percent, from the same period of 2016 due to an increase in average debt volume. Average loan volume for the second quarter of 2017 was $734,846,582, compared to $704,856,246 in the second quarter of 2016. The average net interest rate spread on the loan portfolio for the second quarter of 2017 was 2.35 percent, compared to 2.35 percent in the second quarter of 2016.

The Association's return on average assets for the six months ended June 30, 2017, was 1.47 percent compared to 1.52 percent for the same period in 2016. The Association's return on average equity for the six months ended June 30, 2017, was 7.69 percent, compared to 7.74 percent for the same period in 2016.

The Association currently has one piece of acquired property. Management's intent is to actively manage these transactions and move the assets as efficiently as possible. The Receivable from the Bank variance is derived from the accrual of patronage refunds. The Association has completed the majority of the work related to the payment of the 2016 cash patronage which accounts for the variance in that specific balance sheet line item. The variance in Other Assets is driven by pre-payment activity. Other Liabilities variance is driven by the incentive compensation accrual.

Loan Fees are down just over $17,000 due to less fees collected in the first half of 2017 compared to the same time period in 2016. The Association's loan growth has not been as rapid during 2017 as compared to 2016. Additionally, deferral of fee income in the first half of 2017 has been less than the activity recorded in 2016. Director Expense is up due to additional training, travel, and meetings during the first 6 months of 2017.

Salaries have increased during the first six months of 2017 compared to 2016. Additionally, the deferral of salary expense has been less than the activity recorded in the first half of 2016. Public and Member Relations expense has increased in the first six months of 2017 compared to 2016. The Association has placed less focus on marketing expense and more focus on direct public and member relationship expense.

Supervisory and Exam Expense has increased the first 6 months of 2017 compared to 2016. This increase is related to additional regulatory costs and additional external auditor costs. Communications Expense has increased as the Association continues to upgrade service connections to better quality infrastructure in our rural locations. Management continues to monitor other noninterest expense items and is focused on maintaining or reducing that activity.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of Systemwide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	June 30, 2017	December 31, 2016
Note payable to the bank	**$ 612,668,070**	$ 588,616,613
Accrued interest on note payable	**1,093,517**	997,381
Total	**$ 613,761,587**	$ 589,613,994

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2018. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $612,668,070 as of June 30, 2017, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.23 percent at June 30, 2017. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2016, is due to the Association's increase in accrual loan volume.

The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $132,522,134 at June 30, 2017. The maximum amount the Association may borrow from the Bank as of June 30, 2017, was $737,722,084 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.

Capital Resources:

The Association's capital position increased by $5,462,089 at June 30, 2017, compared to December 31, 2016. The Association's debt as a percentage of members' equity was 4.25:1 as of June 30, 2017, compared to 4.30:1 as of December 31, 2016. Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations.

Significant Recent Accounting Pronouncements:

In March 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. 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 Bank's financial condition but could change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. 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 Bank's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

In June 2016, the 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." 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. Management will be required to make its initial assessment as of December 31, 2016. The Association is currently evaluating a potential disclosure for this recent accounting pronouncement.

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 became effective on January 1, 2017. The Association is in compliance with the required minimum capital standards as of June 30, 2017.

Relationship With the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2016 Annual Report of Louisiana Land Bank, ACA more fully describe the Association's relationship with the Bank.

The Texas Farm Credit District's (district) annual and quarterly stockholder reports, as well as those of the Bank, 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, or by calling (512) 483-9204. Copies of the district's quarterly and annual stockholder reports also can be requested by e-mail at *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports for the bank and the district 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 can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, La. or calling 318-387-7535. The annual and quarterly stockholder reports for the Association are also available on its website at *www.louisianalandbank.com*. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *debbie.bond@louisianalandbank.com.*

LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Cash	$ **20,911**	$ 2,849
Loans	**745,760,939**	724,081,362
Less: allowance for loan losses	**5,421,148**	5,426,945
Net loans	**740,339,791**	718,654,417
Accrued interest receivable	**6,966,008**	6,561,617
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**11,329,475**	11,329,475
Other	**1,269,777**	1,788,241
Other property owned, net	**161,654**	74,587
Premises and equipment, net	**3,690,350**	3,582,000
Other assets	**691,561**	465,835
Total assets	$ **764,469,527**	$ 742,459,021
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ **612,668,070**	$ 588,616,613
Accrued interest payable	**1,093,517**	997,381
Drafts outstanding	**87,770**	79,464
Patronage distributions payable	**21**	6,467,395
Other liabilities	**4,968,737**	6,108,845
Total liabilities	**618,818,115**	602,269,698
MEMBERS' EQUITY		
Capital stock and participation certificates	**2,697,635**	2,652,945
Unallocated retained earnings	**143,634,982**	138,215,117
Accumulated other comprehensive income (loss)	**(681,205)**	(678,739)
Total members' equity	**145,651,412**	140,189,323
Total liabilities and members' equity	$ **764,469,527**	$ 742,459,021

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
INTEREST INCOME				
Loans	**$ 8,280,137**	$ 7,535,308	**$ 16,273,040**	$ 14,973,994
Total interest income	**8,280,137**	7,535,308	**16,273,040**	14,973,994
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**3,250,867**	2,791,822	**6,241,281**	5,362,726
Total interest expense	**3,250,867**	2,791,822	**6,241,281**	5,362,726
Net interest income	**5,029,270**	4,743,486	**10,031,759**	9,611,268
PROVISION FOR LOAN LOSSES	**11,196**	33,142	(23,858)	(28,463)
Net interest income after provision for loan losses	**5,018,074**	4,710,344	**10,055,617**	9,639,731
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**605,490**	559,024	**1,202,456**	1,101,424
Loan fees	**56,797**	64,266	**116,548**	133,595
Financially related services income	**767**	842	**1,154**	1,545
Gain (loss) on other property owned, net	**8,679**	-	**8,617**	-
Gain (loss) on sale of premises and equipment, net	**24,780**	79,921	**24,163**	79,921
Other noninterest income	**52,062**	52,853	**62,773**	57,653
Total noninterest income	**748,575**	756,906	**1,415,711**	1,374,138
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,826,714**	1,670,435	**3,699,982**	3,483,294
Directors' expense	**139,250**	108,461	**242,622**	214,548
Purchased services	**177,422**	188,872	**300,436**	322,215
Travel	**169,907**	122,795	**265,756**	221,473
Occupancy and equipment	**135,997**	124,770	**254,374**	241,874
Communications	**55,835**	40,250	**108,139**	76,396
Advertising	**94,057**	97,974	**196,322**	217,435
Public and member relations	**124,805**	94,980	**231,201**	195,080
Supervisory and exam expense	**83,082**	60,581	**187,091**	149,212
Insurance Fund premiums	**201,163**	203,306	**399,314**	392,434
Other noninterest expense	**70,278**	84,597	**139,424**	156,389
Total noninterest expenses	**3,078,510**	2,797,021	**6,024,661**	5,670,350
Income before income taxes	**2,688,139**	2,670,229	**5,446,667**	5,343,519
Provision for (benefit from) income taxes	**-**	1,012	**(493)**	1,815
NET INCOME	**2,688,139**	2,669,217	**5,447,160**	5,341,704
Other comprehensive income:				
Change in postretirement benefit plans	**(1,233)**	(3,810)	**(2,466)**	(7,620)
Other comprehensive income, net of tax	**(1,233)**	(3,810)	**(2,466)**	(7,620)
COMPREHENSIVE INCOME	**$ 2,686,906**	$ 2,665,407	**$ 5,444,694**	$ 5,334,084

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2015	$ 2,548,415	$ 134,015,973	$ (506,680)	$ 136,057,708
Net income	-	5,341,704	-	5,341,704
Other comprehensive income	-	-	(7,620)	(7,620)
Comprehensive income	-	5,341,704	(7,620)	5,334,084
Preferred Stock Issued				
Capital stock/participation certificates and allocated retained earnings issued	182,180	-	-	182,180
Preferred Stock retired				
Capital stock/participation certificates and allocated retained earnings retired	(120,115)	-	-	(120,115)
Patronage refunds:				
Cash	-	(64,808)	-	(64,808)
Balance at June 30, 2016	$ 2,610,480	$ 139,292,869	$ (514,300)	$ 141,389,049
Balance at December 31, 2016	$ 2,652,945	$ 138,215,117	$ (678,739)	$ 140,189,323
Net income	-	5,447,160	-	5,447,160
Other comprehensive income	-	-	(2,466)	(2,466)
Comprehensive income	-	5,447,160	(2,466)	5,444,694
Preferred Stock Issued				
Capital stock/participation certificates and allocated retained earnings issued	162,360	-	-	162,360
Preferred Stock retired				
Capital stock/participation certificates and allocated retained earnings retired	(117,670)	-	-	(117,670)
Patronage refunds:				
Cash	-	(27,295)	-	(27,295)
Balance at June 30, 2017	**$ 2,697,635**	**$ 143,634,982**	**$ (681,205)**	**$ 145,651,412**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves 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 (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2016, as contained in the 2016 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2016, as contained in the 2016 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2017. Descriptions of the significant accounting policies are included in the 2016 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In March 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. 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 Bank's financial condition but could change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. 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 Bank's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

In June 2016, 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." This 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 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.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended June 30, 2017, are not necessarily indicative of the results to be expected for the year ended December 31, 2017. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**June 30, 2017 Amount**	December 31, 2016 Amount
Production agriculture:		
Real estate mortgage	**$ 628,145,900**	$ 611,296,431
Production and intermediate term	**54,448,850**	49,226,496
Agribusiness:		
Loans to cooperatives	**6,454,190**	6,557,031
Processing and marketing	**21,727,459**	20,654,968
Farm-related business	**16,382,647**	17,827,744
Communication	**6,180,787**	6,304,131
Energy	**833,857**	868,370
Rural residential real estate	**11,587,249**	11,270,643
Lease receivables	**-**	75,548
Total	**$ 745,760,939**	$ 724,081,362

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2017:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 16,669,279	$ 34,343,496	$ -	$ -	$ 16,669,279	$ 34,343,496
Production and intermediate term	7,459,124	4,201,470	-	-	7,459,124	4,201,470
Agribusiness	21,868,480	9,725,224	512,661	4,143,157	22,381,141	13,868,381
Communication	6,180,787	-	-	-	6,180,787	-
Energy	833,857	-	-	-	833,857	-
Total	$ 53,011,527	$ 48,270,190	$ 512,661	$ 4,143,157	$ 53,524,188	$ 52,413,347

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

	June 30, 2017	December 31, 2016
Nonaccrual loans:		
Real estate mortgage	**$ 4,582,416**	$ 3,955,169
Agribusiness	**512,661**	770,175
Rural residential real estate	**272,841**	292,273
Total nonaccrual loans	**5,367,918**	5,017,617
Accruing restructured loans:		
Real estate mortgage	**2,974,243**	2,451,347
Production and intermediate term	**608,023**	735,960
Rural residential real estate	**164,530**	169,383
Total accruing restructured loans	**3,746,796**	3,356,690
Total nonperforming loans	**9,114,714**	8,374,307
Other property owned	**161,654**	74,587
Total nonperforming assets	**$ 9,276,368**	$ 8,448,894

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

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

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2017		December 31, 2016	
Real estate mortgage				
Acceptable	**95.6**	%	97.8	%
OAEM	**3.3**		1.2	
Substandard/doubtful	**1.1**		1.0	
	100.0		100.0	
Production and intermediate term				
Acceptable	**94.9**		97.4	
OAEM	**5.0**		2.6	
Substandard/doubtful	**0.1**		-	
	100.0		100.0	
Agribusiness				
Acceptable	**98.9**		98.3	
OAEM	**-**		-	
Substandard/doubtful	**1.1**		1.7	
	100.0		100.0	
Energy and water/waste water				
Acceptable	**67.3**		66.9	
OAEM	**32.7**		33.1	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Communication				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Rural residential real estate				
Acceptable	**97.5**		97.2	
OAEM	**0.2**		0.2	
Substandard/doubtful	**2.3**		2.6	
	100.0		100.0	
Lease receivables				
Acceptable	**-**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	-		100.0	
Total loans				
Acceptable	**95.8**		97.8	
OAEM	**3.2**		1.2	
Substandard/doubtful	**1.0**		1.0	
	100.0	%	100.0	%

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

June 30, 2017	**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	**$ 1,891,455**	**$ 1,342,517**	**$ 3,233,972**	**$ 631,163,088**	**$ 634,397,060**	**$ -**
Production and intermediate term	**613,062**	**-**	**613,062**	**54,335,124**	**54,948,186**	**-**
Loans to cooperatives	**-**	**-**	**-**	**6,530,660**	**6,530,660**	**-**
Processing and marketing	**-**	**-**	**-**	**21,760,960**	**21,760,960**	**-**
Farm-related business	**-**	**-**	**-**	**16,451,122**	**16,451,122**	**-**
Communication	**-**	**-**	**-**	**6,181,299**	**6,181,299**	**-**
Energy	**-**	**-**	**-**	**833,927**	**833,927**	**-**
Rural residential real estate	**-**	**92,886**	**92,886**	**11,530,847**	**11,623,733**	**-**
Total	**$ 2,504,517**	**$ 1,435,403**	**$ 3,939,920**	**$ 748,787,027**	**$ 752,726,947**	**$ -**

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	$ -

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 June 30, 2017, the total recorded investment of troubled debt restructured loans was $6,231,648, including $2,484,852 classified as nonaccrual and $3,746,796 classified as accrual, with specific allowance for loan losses of $114,757. As of June 30, 2017, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $0 at period end and $0 at December 31, 2016.

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 six months ended June 30, 2017. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

Loans formally restructured prior to January 1, 2017, were $1,839,394.

For the Three Months Ended June 30, 2017	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Production and intermediate term	$ 27,856	$ 28,150
Total	$ 27,856	$ 28,150

For the Three Months Ended June 30, 2016	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 1,524,063	$ 1,473,937
Production and intermediate term	687,131	674,540
Total	$ 2,211,194	$ 2,148,477

For the Six Months Ended June 30, 2017	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 1,075,399	$ 1,048,408
Production and intermediate term	27,856	28,150
Total	$ 1,103,255	$ 1,076,558

For the Six Months Ended June 30, 2016	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 1,524,063	$ 1,473,937
Production and intermediate term	742,603	730,403
Total	$ 2,266,666	$ 2,204,340

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 quarter ending June 30, 2017.

The predominant form of concession granted for troubled debt restructuring includes rate reduction and term extension. Other types of modifications include extension of the term, principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case we assess all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

The following table presents information regarding loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Troubled debt restructurings that subsequently defaulted:	Recorded Investment at June 30, 2017	Recorded Investment at December 31, 2016
Real estate mortgage	$ 172,492	$ -
Total	$ 172,492	$ -

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 at:

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Real estate mortgage	$ 2,633,868	$ 4,284,762	$ 172,492	$ 1,833,415
Production and intermediate term	300,586	735,960	-	-
Farm-related business	-	770,174	-	770,175
Rural residential real estate	-	351,731	-	182,347
Total	$ 2,934,454	$ 6,142,627	$ 172,492	$ 2,785,937

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

Additional impaired loan information is as follows:

	June 30, 2017			December 31, 2016		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 353,699**	**$ 354,310**	**$ 29,720**	$ 448,063	$ 446,158	$ 29,543
Farm-related business	**512,661**	**4,436,884**	**104,680**	770,175	4,694,397	101,985
Rural residential real estate	-	-	-	94,983	98,467	123
Total	**$ 866,360**	**$ 4,791,194**	**$ 134,400**	$ 1,313,221	$ 5,239,022	$ 131,651
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$7,038,743**	**$ 7,216,407**	**$ -**	$ 6,088,786	$ 6,042,513	$ -
Production and intermediate term	**596,574**	**605,702**	-	735,960	722,966	-
Rural residential real estate	**436,761**	**440,772**	-	366,673	366,073	-
Total	**$8,072,078**	**$ 8,262,882**	**$ -**	$ 7,191,419	$ 7,131,552	$ -
Total impaired loans:						
Real estate mortgage	**$7,392,442**	**$ 7,570,718**	**$ 29,720**	$ 6,536,849	$ 6,488,671	$ 29,543
Production and intermediate term	**596,574**	**605,702**	-	735,960	722,966	-
Farm-related business	**512,661**	**4,436,884**	**104,680**	770,175	4,694,397	101,985
Rural residential real estate	**436,761**	**440,772**	-	461,656	464,540	123
Total	**$8,938,438**	**$13,054,076**	**$ 134,400**	$ 8,504,640	$ 12,370,574	$ 131,651

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

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2017		June 30, 2016		**June 30, 2017**		June 30, 2016	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$ 311,524**	**$ -**	$ 145,118	$ -	**$ 258,386**	**$ 1,159**	$ 145,118	$ -
Farm-related business	**651,984**	-	790,395	-	**707,920**	-	811,441	-
Total	**$ 963,508**	**$ -**	$ 935,513	$ -	**$ 966,306**	**$ 1,159**	$ 956,559	$ -
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$6,599,952**	**$ 46,615**	$5,280,398	$ 73,343	**$6,693,838**	**$ 88,414**	$5,226,491	$ 108,746
Production and intermediate term	**612,290**	**7,547**	730,949	37,870	**665,682**	**16,151**	657,138	22,178
Rural residential real estate	**443,038**	**1,839**	602,764	3,558	**448,551**	**3,705**	540,657	6,256
Total	**$7,655,281**	**$ 56,001**	$6,614,111	$ 114,771	**$7,808,071**	**$ 108,270**	$6,424,286	$ 137,180
Total impaired loans:								
Real estate mortgage	$ 6,911,476	$ 46,615	$5,425,516	$ 73,343	$ 6,952,224	$ 89,573	$5,371,609	$ 108,746
Production and intermediate term	612,290	7,547	730,949	37,870	665,682	16,151	657,138	22,178
Processing and marketing	651,984	-	790,395	-	707,920	-	811,441	-
Rural residential real estate	443,038	1,839	602,764	3,558	448,551	3,705	540,657	6,256
Total	**$8,618,788**	**$ 56,001**	$7,549,624	$ 114,771	**$8,774,377**	**$ 109,429**	$7,380,845	$ 137,180

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Lease Receivables	Mission-Related Investments	Total
Allowance for Credit Losses:									
Balance at March 31, 2017	$ 4,430,693	$ 306,197	$ 510,666	$ 11,850	$ 18,078	$ 119,195	$ 542	$ -	$ 5,397,221
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision for loan losses	(30,761)	10,165	(1,012)	3,679	(50)	28,621	574	-	11,216
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	791	7,045	4,305	160	427	3			12,731
Balance at June 30, 2017	$ 4,400,723	$ 323,407	$ 513,959	$ 15,689	$ 18,455	$ 147,819	$ 1,116	$ -	$ 5,421,168
Balance at December 31, 2016	$ 4,480,888	$ 356,859	$ 418,177	$ 47,326	$ 11,998	$ 111,107	$ 589	$ -	$ 5,426,944
Charge-offs	(611)	-	-	-	-	-	-	-	(611)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for loan losses	(80,771)	(43,858)	89,577	(31,867)	5,846	36,708	527	-	(23,838)
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	1,217	10,407	6,205	229	611	4	-	-	18,673
Balance at June 30, 2017	$ 4,400,723	$ 323,408	$ 513,959	$ 15,688	$ 18,455	$ 147,819	$ 1,116	$ -	$ 5,421,168
Ending Balance:									
Individually evaluated for impairment	$ 29,720	$ -	$ 104,680	$ -	$ -	$ -	$ -	$ -	$ 134,400
Collectively evaluated for impairment	4,371,002	323,408	409,279	15,689	18,455	147,819	1,116	-	5,286,768
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-	-
Balance at June 30, 2017	$ 4,400,722	$ 323,408	$ 513,959	$ 15,689	$ 18,455	$ 147,819	$ 1,116	$ -	$ 5,421,168
Balance at March 31, 2016	$ 3,496,089	$ 279,973	$ 1,287,262	$ 67,517	$ 37,891	$ 201,487	$ 375	$ -	$ 5,370,594
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	1,802	-	-	4,319	-	182	-	-	6,303
Provision for loan losses	27,876	2,086	2,131	376	161	507	4	-	33,141
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	(87,894)	(6,578)	(6,720)	(1,186)	(506)	(1,598)	(12)	-	(104,494)
Balance at June 30, 2016	$ 3,437,873	$ 275,481	$ 1,282,673	$ 71,026	$ 37,546	$ 200,578	$ 367	$ -	$ 5,305,544
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	(2,410)	-	(73,241)	-	-	-	-	-	(75,651)
Recoveries	1,802	-	106,483	4,319	-	182	-	-	112,786
Provision for loan losses	(23,662)	(1,897)	(1,896)	(301)	(79)	(625)	(3)	-	(28,463)
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	(66,363)	(5,320)	(5,318)	(843)	(224)	(1,753)	(9)	-	(79,830)
Balance at June 30, 2016	$ 3,438,938	$ 275,081	$ 1,282,424	$ 71,111	$ 15,120	$ 20,451	$ 202,040	$ 379	$ 5,305,544
Ending Balance:									
Individually evaluated for impairment	$ 48,469	$ -	$ 101,985	$ -	$ -	$ 3,484	$ -	$ -	$ 153,938
Collectively evaluated for impairment	3,390,469	275,081	1,180,439	71,111	15,120	16,967	202,040	379	5,151,606
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-	-
Balance at June 30, 2016	$ 3,438,938	$ 275,081	$ 1,282,424	$ 71,111	$ 15,120	$ 20,451	$ 202,040	$ 379	$ 5,305,544

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Lease Receivables	Mission-Related Investments	Total
Recorded Investments in Loans Outstanding:									
Ending Balance at June 30, 2017	$634,397,060	$ 54,948,187	$ 44,742,742	$ 6,181,299	$ 833,927	$11,623,733	$ -	$ -	$752,726,948
Individually evaluated for impairment	$ 7,392,442	$ 596,574	$ 512,661	$ -	$ -	$ 436,761	$ -	$ -	$ 8,938,438
Collectively evaluated for impairment	$627,004,618	$ 54,351,613	$ 44,230,081	$ 6,181,299	$ 833,927	$11,186,972	$ -	$ -	$743,788,510
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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
Individually evaluated for impairment	$ 6,429,595	$ 721,735	$ 770,175	$ -	$ -	$ 461,029	$ -	$ -	$ 8,382,534
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
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 3 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The new regulations replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio continues to remain in effect.

The Association's ratios were as follows:

Risk-adjusted:	Regulatory Minimums	Conservation Buffer	Total	As of June 30, 2017
Common equity tier 1 ratio	4.50%	2.50%	7.00%	17.46%
Tier 1 capital ratio	6.00%	2.50%	8.50%	17.46%
Total capital ratio	8.00%	2.50%	10.50%	18.19%
Permanent capital ratio	7.00%	0.00%	7.00%	17.58%
Non-risk-adjusted:				
Tier 1 leverage ratio	4.00%	1.00%	5.00%	17.97%
UREE leverage ratio	1.50%	0.00%	1.50%	19.14%

*The 2.5% capital conservation buffer for the risk-adjusted ratios will be phased in over a three year period ending on December 31, 2019.

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-adjusted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.

- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.

- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the minimum regulatory requirements, including the capital conservation and leverage buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary bonus payments to senior offices are restricted or prohibited without prior FCA approval.

The components of the Association's risk-adjusted capital, based on 90 day average balances, were as follows at June 30, 2017:

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Regulatory capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**141,943,147**	**141,943,147**	**141,943,147**	**141,943,147**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**2,685,305**	**2,685,305**	**2,685,305**	**2,685,305**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**5,625,507**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(11,329,475)**	**(11,329,475)**	**(11,329,475)**	**(11,329,475)**
	133,298,977	133,298,977	138,924,484	133,298,977
Denominator:				
Risk-adjusted assets excluding allowance	**774,900,484**	**774,900,484**	**774,900,484**	**774,900,484**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(11,329,475)**	**(11,329,475)**	**(11,329,475)**	**(11,329,475)**
Allowance for loan losses				**(5,397,487)**
	763,571,009	763,571,009	763,571,009	758,173,522

The components of the Association's non-risk-adjusted capital, based on 90 day average balances, were as follows at June 30, 2017:

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**141,943,147**	**141,943,147**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**2,685,305**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(11,329,475)**	-
	133,298,977	**141,943,147**
Denominator:		
Total Assets	**752,962,511**	**752,962,511**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(11,329,475)**	**(11,329,475)**
	741,633,036	741,633,036

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

June 30, 2017	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 3,229,616**	**$ -**	**$ 3,229,616**
Total	**$ 3,229,616**	**$ -**	**$ 3,229,616**

June 30, 2016	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 2,964,822	$ -	$ 2,964,822
Total	$ 2,964,822	$ -	$ 2,964,822

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the six months ended June 30:

	2017	2016
Accumulated other comprehensive income (loss) at January 1	**$(678,739)**	$(506,680)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(25,505)**	(25,505)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**23,039**	17,885
Other comprehensive income (loss), net of tax	**(2,466)**	(7,620)
Accumulated other comprehensive income at June 30	**$ (681,205)**	$ (514,300)

NOTE 4 — INCOME TAXES:

Louisiana Land Bank, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Louisiana Land Bank, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Louisiana Land Bank, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 to the 2016 Annual Report to Stockholders for a more complete description.

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

June 30, 2017	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$5,233,518**	**$5,233,518**	**$ -**
Other property owned	**-**	**-**	**179,616**	**179,616**	**-**

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

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Sensitivity to Changes in Significant Unobservable Inputs

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

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

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

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

Information About Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	**Input**
Cash	Carrying value	Actual balance

Valuation Techniques

As more fully discussed in Note 13 to the 2016 Annual Report to Stockholders, authoritative 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. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see Notes to the 2016 Annual Report to Stockholders.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans were collateral-dependent. 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, a majority of these loans have fair value measurements that fall within Level 3 of the fair value 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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

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

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the six months ended June 30:

	Other Benefits	
	2017	2016
Service cost	**$ 35,932**	$ 33,939
Interest cost	**72,142**	67,592
Amortization of prior service (credits) costs	**(25,505)**	(25,505)
Amortization of net actuarial (gain) loss	**23,039**	17,883
Net periodic benefit cost	**$ 105,608**	$ 93,909

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2017, was $3,229,616 and is included in "Other Liabilities" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal 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.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 8, 2017, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 8, 2017.