PLAINS LAND BANK, FLCA

2016
Quarterly Report
First Quarter

For the Quarter Ended March 31, 2016

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.

Greggory S. Lloyd, Chief Executive Officer
April 21, 2016

Don R. James, Chairman, Board of Directors
April 21, 2016

Cathy D. Scribner, Chief Financial Officer
April 21, 2016

PLAINS LAND BANK, FLCA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Plains Land Bank, FLCA (Federal Land Credit Association), referred to as the Association, for the quarter ended March 31, 2016. These comments should be read in conjunction with the accompanying financial statements and the 2015 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 financial statements were prepared under the oversight of the Association's audit committee.

Significant Events:

In January 2016, a patronage of $6,750,000 was declared. The patronage is larger than usual due to a one time interest income from a nonaccrual loan in 2015 of $1,749,374. This patronage was subsequently paid in March 2016.

In February 2016, the Association purchased a lot in Plainview, Texas for $121,617. This land will be used to build a new Plainview branch office.

The board of directors passed a resolution at a regular called meeting on April 8, 2015 to change the Association's name from Panhandle-Plains Land Bank, FLCA to Plains Land Bank, FLCA. A request was made to the Farm Credit Bank of Texas (Bank) and Farm Credit Administration (FCA) in accordance with section 611.1121 of the FCA's regulation for an amendment to the Association's charter to reflect this name change. The Association received the approval from the Bank and FCA and Plains Land Bank, FLCA became the Association's official name on July 1, 2015.

Loan Portfolio:

Total loans outstanding at March 31, 2016, were $514,471,240 compared to $494,673,008 at December 31, 2015, reflecting an increase of 4.0 percent. There were no nonaccrual loans outstanding at March 31, 2016 or at December 31, 2015.

The Association had no recoveries or charge-offs for the quarter ended March 31, 2016, or for the same period in 2015. The Association's allowance for loan losses was 0.3 percent and 0.3 percent of total loans outstanding as of March 31, 2016, and December 31, 2015, 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.

	March 31, 2016		December 31, 2015	
	Amount	**%**	Amount	%
Nonaccrual	**$ -**	**0.0%**	$ -	0.0%
90 days past due and still accruing interest	**4,123,414**	**98.6%**	-	0.0%
Other property owned, net	**59,711**	**1.4%**	59,711	100.0%
Total	**$ 4,183,125**	**100.0%**	$ 59,711	100.0%

Results of Operations:

The Association had net income of $2,200,288 for the three months ended March 31, 2016, as compared to net income of $1,749,518 for the same period in 2015, reflecting an increase of 25.8 percent respectively. Net interest income was $3,530,955 for the three months ended March 31, 2016, compared to $3,328,479 for the same period in 2015.

	March 31, 2016		March 31, 2015	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 502,990,259**	**$ 5,909,259**	$ 450,323,499	$ 5,394,137
Interest-bearing liabilities	**409,464,517**	**2,378,304**	360,465,212	2,065,658
Impact of capital	**$ 93,525,742**		$ 89,858,287	
Net interest income		**$ 3,530,955**		$ 3,328,479

	2016 Average Yield	2015 Average Yield
Yield on loans	**4.73%**	4.86%
Cost of interest-bearing liabilities	**2.34%**	2.32%
Interest rate spread	**2.39%**	2.54%
Net interest income as a percentage of average earning assets	**2.82%**	3.00%

	March 31, 2016 vs. March 31, 2015		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 636,129**	**$ (121,007)**	**$ 515,122**
Interest expense	**283,130**	**29,516**	**312,646**
Net interest income	**$ 352,999**	**$ (150,523)**	**$ 202,476**

Interest income for the three months ended March 31, 2016, increased by $515,122, or 9.5 percent, respectively, from the same period of 2015, primarily due to an increase in average loan volume and slightly offset by a decline in yields on earning assets. Interest expense for the three months ended March 31, 2016, increased by $312,646, or 15.1 percent from the same period of 2015 due to an increase in interest rates and in average debt volume. Average loan volume for the first quarter of 2016 was $502,990,259, compared to $450,323,499 in the first quarter of 2015. The average net interest rate spread on the loan portfolio for the first quarter of 2016 was 2.39 percent, compared to 2.54 percent in the first quarter of 2015.

The Association's return on average assets for the three months ended March 31, 2016, was 1.71 percent compared to 1.53 percent for the same period in 2015. The Association's return on average equity for the three months ended March 31, 2016, was 8.62 percent, compared to 7.33 percent for the same period in 2015.

Liquidity and Funding Sources:

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

	March 31, 2016	December 31, 2015
Note payable to the Bank	**$ 419,277,618**	$ 405,094,363
Accrued interest on note payable	**816,460**	802,213
Total	**$ 420,094,078**	$ 405,896,576

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 $419,277,618 as of March 31, 2016, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.30 percent at March 31, 2016. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2015, is due to the Association's increase in assets since year end. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $95,191,607 at March 31, 2016. The maximum amount the Association may borrow from the Bank as of March 31, 2016, was $517,564,631 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, 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 decreased by $4,553,974 at March 31, 2016, compared to December 31, 2015. The Association's debt as a percentage of members' equity was 4.21:1 as of March 31, 2016, compared to 3.83:1 as of December 31, 2015.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at March 31, 2016, was 18.0 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at March 31, 2016, were 17.7 and 17.7 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

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

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

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 its financial condition or results of operations.

Regulatory Matters:

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

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

The public comment period ended on October 23, 2014. According to its Fall 2015 Regulatory Projects Plan, FCA anticipates adopting a final rule in April, 2016.

On May 8, 2014, the Farm Credit Administration approved a proposed rule to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule are as follows:

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

The initial public comment period ended on February 16, 2015. On June 15, 2015, the Farm Credit Administration reopened the comment period from June 26 to July 10, 2015. According to its Fall 2015 Regulatory Projects Plan, FCA anticipates adopting a final rule in March, 2016.

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 2015 Annual Report of Plains Land Bank, FLCA 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 Plains Land Bank, FLCA, 5625 Fulton Drive, Amarillo, Texas 79109-4212 or calling (806) 353-6688. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *cscribner@plainslandbank.com*. The Association also makes its annual and quarterly reports available on its website at *www.plainslandbank.com.*

PLAINS LAND BANK, FLCA

BALANCE SHEET

	March 31, 2016 (unaudited)	December 31, 2015
ASSETS		
Cash	**$ 593,325**	$ 3,333,619
Loans	**514,471,240**	494,673,008
Less: allowance for loan losses	**1,664,348**	1,609,071
Net loans	**512,806,892**	493,063,937
Accrued interest receivable	**6,000,474**	7,682,548
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**7,554,685**	7,554,685
Other property owned, net	**59,711**	59,711
Premises and equipment, net	**1,848,378**	1,777,488
Other assets	**1,282,494**	582,251
Total assets	**$ 530,145,959**	$ 514,054,239
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 419,277,618**	$ 405,094,363
Accrued interest payable	**816,460**	802,213
Drafts outstanding	**74,722**	48,000
Other liabilities	**8,137,426**	1,715,956
Total liabilities	**428,306,226**	407,660,532
MEMBERS' EQUITY		
Capital stock and participation certificates	**1,807,625**	1,807,680
Unallocated retained earnings	**99,900,570**	104,450,282
Accumulated other comprehensive income	**131,538**	135,745
Total members' equity	**101,839,733**	106,393,707
Total liabilities and members' equity	**$ 530,145,959**	$ 514,054,239

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

PLAINS LAND BANK, FLCA

STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter & Year Ended March 31, 2016	Quarter & Year Ended March 31, 2015
INTEREST INCOME		
Loans	**$ 5,909,259**	$ 5,394,137
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**2,378,304**	2,065,658
Net interest income	**3,530,955**	3,328,479
PROVISION FOR LOAN LOSSES (LOAN LOSS REVERSAL)	**55,277**	(8,353)
Net interest income after provision for loan losses (loan loss reversal)	**3,475,678**	3,336,832
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**443,547**	39,390
Loan fees	**45,133**	30,217
Financially related services income	**3,171**	3,427
Other noninterest income	**43,402**	32,500
Total noninterest income	**535,253**	105,534
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,217,366**	1,199,618
Directors' expense	**63,518**	58,069
Purchased services	**86,571**	84,115
Travel	**27,590**	27,726
Occupancy and equipment	**65,275**	36,866
Communications	**9,352**	7,201
Advertising	**45,838**	21,777
Public and member relations	**24,552**	27,514
Supervisory and exam expense	**42,924**	39,308
Insurance Fund premiums	**180,453**	110,053
Other noninterest expense	**47,204**	80,601
Total noninterest expenses	**1,810,643**	1,692,848
NET INCOME	**2,200,288**	1,749,518
Other comprehensive income:		
Change in postretirement benefit plans	**(4,207)**	(3,732)
COMPREHENSIVE INCOME	**$ 2,196,081**	$ 1,745,786

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

PLAINS LAND BANK, FLCA

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, 2014	$ 1,731,005	$ 99,034,790	$ (71,126)	$ 100,694,669
Comprehensive income	-	1,749,518	(3,732)	1,745,786
Capital stock/participation certificates issued	65,760	-	-	65,760
Capital stock/participation certificates and allocated retained earnings retired	(63,215)	-	-	(63,215)
Patronage refunds:				
Cash	-	(7,000,000)	-	(7,000,000)
Balance at March 31, 2015	$ 1,733,550	$ 93,784,308	$ (74,858)	$ 95,443,000
Balance at December 31, 2015	$ 1,807,680	$ 104,450,282	$ 135,745	$ 106,393,707
Comprehensive income	-	2,200,288	(4,207)	2,196,081
Capital stock/participation certificates issued	77,335	-	-	77,335
Capital stock/participation certificates and allocated retained earnings retired	(77,390)	-	-	(77,390)
Patronage refunds:				
Cash	-	(6,750,000)	-	(6,750,000)
Balance at March 31, 2016	**$ 1,807,625**	**$ 99,900,570**	**$ 131,538**	**$ 101,839,733**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Plains Land Bank, FLCA (Federal Land 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 counties of Armstrong, Briscoe, Carson, Floyd, Gray, Hale, southwest portion of Hall, Hansford, Hemphill, Hutchinson, Lipscomb, Motley, Ochiltree, Oldham, Potter, Randall and Roberts in the state of Texas. The Association is a lending institution of the Farm Credit System (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, 2015, as contained in the 2015 Annual Report to Stockholders.

In the opinion of management, the accompanying 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 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, 2015, as contained in the 2015 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, 2016. Descriptions of the significant accounting policies are included in the 2015 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

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

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

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 its financial condition or results of operations.

The preparation of these financial statements requires the use of management’s estimates. The results for the quarter ended March 31, 2016, are not necessarily indicative of the results to be expected for the year ended December 31, 2016. 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	**March 31, 2016 Amount**	December 31, 2015 Amount
Real estate mortgage	**$ 432,679,104**	$ 418,963,594
Agribusiness:		
Processing and marketing	**33,162,166**	29,428,305
Loans to cooperatives	**6,037,209**	2,315,477
Farm-related business	**3,751,149**	3,007,172
Energy	**17,688,334**	17,621,376
Production and intermediate term	**10,376,760**	12,011,140
Communication	**5,539,851**	5,589,417
Rural residential real estate	**4,037,572**	4,545,969
Water and waste water	**1,199,095**	1,190,558
Total	**$ 514,471,240**	$ 494,673,008

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 March 31, 2016:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 39,029,064	$ -	$ -	$ -	$ 39,029,064	$ -
Energy	17,688,334	-	-	-	17,688,334	-
Real estate mortgage	15,625,469	4,144,331	-	-	15,625,469	4,144,331
Production and intermediate term	10,376,760	-	-	-	10,376,760	-
Communication	5,539,851	-	-	-	5,539,851	-
Water and waste water	1,199,095	-	-	-	1,199,095	-
Total	$ 89,458,573	$ 4,144,331	$ -	$ -	$ 89,458,573	$ 4,144,331

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. There were no ACP's at March 31, 2016, and December 31, 2015, respectively.

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

	March 31, 2016	December 31, 2015
Nonaccrual loans:		
Real estate mortgage	$ -	$ -
Total nonaccrual loans	-	-
Accruing loans 90 days or more past due:		
Real estate mortgage	4,123,414	-
Other property owned	59,711	59,711
Total nonperforming assets	$ 4,183,125	$ 59,711

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:

	March 31, 2016	December 31, 2015
Real estate mortgage		
Acceptable	**96.6** %	96.5 %
OAEM	**2.0**	2.1
Substandard/doubtful	**1.4**	1.4
	100.0	100.0
Production and intermediate term		
Acceptable	**87.6**	88.5
OAEM	**12.4**	11.5
Substandard/doubtful	**-**	-
	100.0	100.0
Processing and marketing		
Acceptable	**98.3**	98.0
OAEM	**1.7**	2.0
Substandard/doubtful	**-**	-
	100.0	100.0
Energy		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Water and waste water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**97.8**	97.8
OAEM	**-**	-
Substandard/doubtful	**2.2**	2.2
	100.0	100.0
Loans to cooperatives		
Acceptable	**75.5**	36.2
OAEM	**-**	-
Substandard/doubtful	**24.5**	63.8
	100.0	100.0
Farm-related business		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**96.5**	96.3
OAEM	**2.0**	2.2
Substandard/doubtful	**1.5**	1.5
	100.0 %	100.0 %

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

March 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	**$ 2,292,110**	**$ 4,123,414**	**$ 6,415,524**	**$ 431,993,838**	**$ 438,409,362**	**$ 4,123,414**
Processing and marketing	**-**	**-**	**-**	**33,291,263**	**33,291,263**	**-**
Energy	**-**	**-**	**-**	**17,701,372**	**17,701,372**	**-**
Production and intermediate term	**-**	**-**	**-**	**10,395,641**	**10,395,641**	**-**
Loans to cooperatives	**-**	**-**	**-**	**6,103,719**	**6,103,719**	**-**
Communication	**-**	**-**	**-**	**5,542,120**	**5,542,120**	**-**
Rural residential real estate	**-**	**-**	**-**	**4,065,078**	**4,065,078**	**-**
Farm-related business	**94,958**	**-**	**94,958**	**3,668,936**	**3,763,894**	**-**
Water and waste water	**-**	**-**	**-**	**1,199,265**	**1,199,265**	**-**
Total	**$ 2,387,068**	**$ 4,123,414**	**$ 6,510,482**	**$ 513,961,232**	**$ 520,471,714**	**$ 4,123,414**

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	$ 61,541	$ -	$ 61,541	$ 426,349,256	$ 426,410,797	$ -
Processing and marketing	-	-	-	29,518,328	29,518,328	-
Energy	-	-	-	17,633,888	17,633,888	-
Production and intermediate term	-	-	-	12,039,357	12,039,357	-
Communication	-	-	-	5,591,506	5,591,506	-
Rural residential real estate	-	-	-	4,582,574	4,582,574	-
Farm-related business	-	-	-	3,016,648	3,016,648	-
Loans to cooperatives	-	-	-	2,371,751	2,371,751	-
Water and waste water	-	-	-	1,190,707	1,190,707	-
Total	$ 61,541	$ -	$ 61,541	$ 502,294,015	$ 502,355,556	$ -

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.

There were no troubled debt restructured loans as loans as of March 31, 2016. As of March 31, 2016 and December 31, 2015, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

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). There were no charge-offs recorded at the modification date for the quarter ending March 31, 2016.

The predominant form of concession granted for troubled debt restructuring includes principle concessions. Other types of modifications include extension of the term, 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.

Additional impaired loan information is as follows:

	March 31, 2016			December 31, 2015		
	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	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$4,123,414	$ 4,053,704	$ -	$ -	$ -	$ -
Total	$4,123,414	$ 4,053,704	$ -	$ -	$ -	$ -
Total impaired loans:						
Real estate mortgage	$4,123,414	$ 4,053,704	$ -	$ -	$ -	$ -
Total	$4,123,414	$ 4,053,704	$ -	$ -	$ -	$ -

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

	For the Quarter & Year Ended March 31, 2016		For the Quarter & Year Ended March 31, 2015	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ 4,048,845	$ 37,014	$ 1,501,729	$ 6,211
Total	$ 4,048,845	$ 37,014	$ 1,501,729	$ 6,211
Total impaired loans:				
Real estate mortgage	$ 4,048,845	$ 37,014	$ 1,501,729	$ 6,211
Total	$ 4,048,845	$ 37,014	$ 1,501,729	$ 6,211

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	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2015	$ 1,202,847	$ 77,629	$ 165,168	$ 25,648	$ 112,013	$ 11,999	$ 13,767	$ 1,609,071
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	8,287	(10,661)	42,798	(358)	16,674	(130)	(1,333)	55,277
Balance at March 31, 2016	$ 1,211,134	$ 66,968	$ 207,966	$ 25,290	$ 128,687	$ 11,869	$ 12,434	$ 1,664,348
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,211,134	66,968	207,966	25,290	128,687	11,869	12,434	1,664,348
Balance at March 31, 2016	$ 1,211,134	$ 66,968	$ 207,966	$ 25,290	$ 128,687	$ 11,869	$ 12,434	$ 1,664,348
Balance at December 31, 2014	$ 1,012,880	$ 13,650	$ 154,042	$ 9,871	$ 106,723	$ 4,893	$ 8,956	$ 1,311,015
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	4,997	4,856	9,970	1,247	(29,512)	(265)	354	(8,353)
Balance at March 31, 2015	$ 1,017,877	$ 18,506	$ 164,012	$ 11,118	$ 77,211	$ 4,628	$ 9,310	$ 1,302,662
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,017,877	18,506	164,012	11,118	77,211	4,628	9,310	1,302,662
Balance at March 31, 2015	$ 1,017,877	$ 18,506	$ 164,012	$ 11,118	$ 77,211	$ 4,628	$ 9,310	$ 1,302,662

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at March 31, 2016	$ 438,409,362	$ 10,395,641	$ 43,158,876	$ 5,542,120	$ 17,701,372	$ 1,199,265	$ 4,065,078	$ 520,471,714
Individually evaluated for impairment	$ 4,123,414	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,123,414
Collectively evaluated for impairment	$ 434,285,948	$ 10,395,641	$ 43,158,876	$ 5,542,120	$ 17,701,372	$ 1,199,265	$ 4,065,078	$ 516,348,300
Ending Balance at March 31, 2015	$ 397,967,936	$ 3,684,612	$ 25,803,652	$ 3,733,179	$ 18,302,985	$ 1,296,601	$ 3,530,299	$ 454,319,264
Individually evaluated for impairment	$ 1,520,997	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,520,997
Collectively evaluated for impairment	$ 396,446,939	$ 3,684,612	$ 25,803,652	$ 3,733,179	$ 18,302,985	$ 1,296,601	$ 3,530,299	$ 452,798,267

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 portfolio; 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.

An additional component of equity is accumulated other comprehensive income (loss), which is reported as follows:

March 31, 2016	
Nonpension postretirement benefits	**$ 131,538**
Total	**$ 131,538**
March 31, 2015	
Nonpension postretirement benefits	$ (74,858)
Total	$ (74,858)

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service credits and of actuarial loss are reflected in "Salaries and employee benefits" in the statement of comprehensive income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2016	2015
Accumulated other comprehensive income (loss) at January 1	**$135,745**	$ (71,126)
Amortization of prior service credit included in salaries and employee benefits	**(4,207)**	(4,248)
Amortization of actuarial loss included in salaries and employee benefits	**-**	516
Other comprehensive loss, net of tax	**(4,207)**	(3,732)
Accumulated other comprehensive income (loss) at March 31	**$ 131,538**	$ (74,858)

NOTE 4 — 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 12 to the 2015 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:

March 31, 2016	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Other property owned	**-**	**-**	**59,711**	**59,711**	**-**

December 31, 2015	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ -	$ -	$ -
Other property owned	-	-	59,711	59,711	-

*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.

Information about Nonrecurring Level 3 Fair Value Measurements

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.

Valuation Techniques

As more fully discussed in Note 12 to the 2015 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 2015 Annual Report to Stockholders

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 Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Association's 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 5 — EMPLOYEE BENEFIT PLANS:

Nonpension Other Postretirement Employee Benefits

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	Other Benefits	
	2016	2015
Service cost	**$ 5,987**	$ 6,577
Interest cost	**12,495**	14,000
Amortization of prior service credits	**(4,207)**	(4,248)
Amortization of net actuarial loss	**-**	516
Net periodic benefit cost	**$ 14,275**	$ 16,845

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2016, was $1,089,855 and is included in "Other Liabilities" in the balance sheet.

Contributions to District Defined Benefit Pension Plan

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. As of March 31, 2016, $99,208 of contributions have been made. The Association presently anticipates contributing an additional $289,623, to fund the defined benefit pension plan in 2016 for a total of $388,831.

NOTE 6 — 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 7 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through April 21, 2016, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of April 21, 2016.