AgCountry Farm Credit Services, ACA

Quarterly Report
March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgCountry Farm Credit Services, ACA (the parent) and AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA (the subsidiaries). This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2015 (2015 Annual Report).

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in AgCountry Farm Credit Services, ACA. To request free copies of the AgriBank and combined AgriBank and affiliated Associations' financial reports or additional copies of our report, contact us at:

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2015 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

World Gross Domestic Product (GDP) is projected to grow 2.7% in 2016 compared to 2.5% in 2015. GDP growth will be driven by North America and strong, but slowing, growth in Emerging Asia. Emerging Asia's economy is projected to expand 5.6% in 2016 compared to 6.4% in 2015 due to softer global demand for many export dependent economies. The European Union's growth is projected to improve with growth of 2.0% in 2016 compared to 1.8% growth in 2015. Latin America's economy is projected to grow 0.6% in 2016 compared to a contraction of 0.9% in 2015, primarily due to Brazil's recession. Brazil's economy is expected to contract 0.7% in 2016 compared to 3.2% in 2015. With commodity prices much lower and economic growth slowing in China, Brazil's economy is currently in a recession and is expected to stay in a recession through 2016.

U.S. GDP is projected to grow 3.3% in 2016 compared to 2.6% in 2015. Weak foreign demand and a strong dollar will continue to put pressure on exports, although continued low energy prices will somewhat offset these negative pressures. Household spending has been increasing and the housing sector has continued to improve. Business fixed investments and net exports have been soft.

The Federal Reserve decided to maintain the target range for the federal funds rate at 0.25% – 0.50% during its March meeting. The Federal Reserve expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate. The federal funds rate is likely to remain below levels that are expected to prevail in the longer run, for some time. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Federal Reserve will assess realized and expected economic conditions relative to its objectives of maximum employment and 2.0% inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The unemployment rate has been trending down during 2016, with an estimated unemployment rate (seasonally adjusted) of 4.9% in February 2016 compared to 5.5% the prior year. Inflation has continued to run below the Federal Reserve's 2.0% objective, partly reflecting declines in energy prices and in prices of non-energy imports. The Federal Reserve expects inflation to increase steadily toward 2.0% over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further.

Net farm income for 2015 is projected to decrease 38% from 2014, to $56 billion. The 2015 projection is the lowest since 2002 and is a 55% decrease from the 2013 record of $123 billion. The decrease in net farm income is primarily due to lower crop and livestock receipts. Production expenses are projected to decrease 2% in 2015 for the first time since 2009. Energy inputs and feed are expected to have the largest declines, while expenses for labor, interest, and property taxes are expected to increase.

Specific Production Conditions

Corn, soybeans, sugar beets, and wheat are the primary cash crops produced in our territory. A summary of each crop is presented below along with a summary of the cattle, hog, dairy, and ethanol industries.

Corn: According to the March 2016 United States Department of Agriculture (USDA) Prospective Plantings Report, U.S. planted corn acres for 2016 are expected to be 93.6 million acres representing a 6% increase from last year. If realized, planted acres will be the highest since 2013 and will be the third highest acreage since 1944. Corn acres for 2016 are projected to increase 1% in Minnesota and 24% in North Dakota. The March 2016 USDA World Agricultural Supply and Demand Estimates (WASDE) projected the average U.S. farm price for corn at $3.40 to $3.80 per bushel. Large ending stocks and slumping export sales have lowered price expectations for the coming marketing year. Unless a South American weather problem develops, corn prices are expected to remain largely unaffected in the near future.

Soybeans: According to the March 2016 USDA Prospective Plantings Report, U.S. planted soybean acres for 2016 are projected to decrease 1% from the prior year to 82.2 million acres. Compared with last year, planted acreage intentions are down or unchanged in 23 of the 31 estimating states. Soybean acres for 2016 are projected to decrease 3% in Minnesota and to increase 3% in North Dakota. The March 2016 USDA WASDE projected the average U.S. farm price for soybeans at $8.25 to $9.25 per bushel. Anticipation of a record South American crop could keep prices under pressure in the coming months.

Sugar beets: Sugar beet processing in the Red River Valley is nearing completion. Despite the 2015 record production, above average winter temperatures resulted in poor storage and subsequent sugar losses. The reduction in sugar recovery will reduce the 2015 payment to growers. An early spring could provide an early start to 2016 planting. Sugar prices initially increased after the U.S. sugar industry won a battle that limited imports of subsidized Mexican sugar. However, the price of wholesale refined beet sugar has steadily declined in recent months from $0.36 per pound in January 2015, to $0.31 per pound in February 2016.

Public perceptions regarding food derived from genetically-modified organisms (GMO) could work against the beet sugar industry, which has a high percentage of sugar from GMO sugar beets. With an ongoing shift towards foods that are non-GMO there is an increased demand for cane sugar, which is not a GMO crop. Scientific studies have shown sugar from GMO beets is chemically no different than sugar from non-GMO sugarcane; however, negative public perception of GMO products continues.

Wheat: The March 2016 USDA Prospective Plantings Report estimated all wheat acres for 2016 to decrease 9% from the prior year to 49.6 million acres. Winter wheat planted acres are projected to decrease 8% from 2015 to 36.2 million acres. The 2016 spring wheat planted acres are projected to decrease 14% from 2015 to 11.3 million acres. Minnesota all wheat acres for 2016 are projected to decrease 10% from the prior year and North Dakota all wheat acres for 2016 are projected to decrease 12% from the prior year. The March 2016 USDA WASDE projected the average U.S. farm price for wheat at $4.90 to $5.10 per bushel.

Cattle: Fall and winter precipitation were sufficient to maintain wheat and other pasture through the winter, resulting in large numbers of feeder cattle recently going to market. Volatile prices and heavy cattle feeding losses have motivated cattle feeders to resist taking lower fed cattle prices and lackluster beef demand has reduced packer enthusiasm for cattle. The combination of these factors has exerted downward pressure on fed cattle. The March 2016 USDA Livestock Outlook projected U.S. beef imports to decease 16% in 2016 to 2.85 billion pounds. Imports are expected to decline due to increased U.S. domestic beef production and decreased demand for lean processing beef.

Hogs: According to the March 2016 USDA Livestock Outlook, U.S. inventory of all hogs and pigs on March 1, 2016, was 67.6 million head. Inventory was slightly higher than the prior year but down 1% from December 1, 2015. Breeding inventory decreased from the prior year and was 6.0 million head on March 1, 2015. Market hog inventory was up slightly from last year, at 61.7 million head, but down 1% from last quarter.

Hog prices, though seasonally increasing as hog slaughter numbers ease, are forecast at $45 to $46 per cwt for the first quarter of 2016. Prices are approximately 6% lower than in the same period of 2015. The U.S. dollar exchange rate is expected to be a key determinant of U.S. pork trade flows again in 2016. January 2016 pork exports were almost 7% above a year ago, when labor disputes hindered exports from west coast ports, but were almost 14% below shipments in January 2014. With the repeal of country of origin labeling legislation in December 2015, the January 2016 live swine imports from Canada increased 3% year over year.

Dairy: According to the March 2016 USDA Dairy Outlook, U.S. milk production was 17.7 billion pounds in January 2016, an increase of 0.3% over the prior year. Although milk production continued to expand, the expansion was at a lesser rate than the 0.7% year-over-year increase in December 2015. Fat and skim-solids basis exports are reduced primarily on strong competition in international whey product markets, and exports of a number of other dairy products are facing increased competition. Continued strength of the U.S. dollar is expected to keep the U.S. as an attractive market for dairy product imports. Expectations are for a relatively wide spread between U.S. and international butter prices, which will support increased butterfat imports, while cheese imports will likely benefit from continued demand strength. Whey product exports are also likely to be pressured by large world supplies. The all-milk price forecast for 2016 is projected to be $14.95 to $15.55 per cwt. Class III milk price is forecast at $13.60 to $14.20 per cwt, and the Class IV milk price is forecast at $13.05 to $13.75 per cwt.

Ethanol: U.S. 2015 ethanol production of approximately 14.8 billion gallons exceeded 2014 production of 14.4 billion gallons. The 2015 level equates to about 965,000 barrels of ethanol per day. The U.S. Energy Information Administration (EIA) stated in its February 2016 report that it estimates ethanol production to average close to the 2015 level in both 2016 and 2017. EIA also stated that ethanol consumption was about 910,000 barrels per day in 2015, and consumption is expected to increase to 920,000 barrels per day in both 2016 and 2017.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $4.9 billion at March 31, 2016, an increase of $101.1 million from December 31, 2015. The increase was primarily in our agribusiness portfolio from our Commercial Finance Group alliance and in our real estate mortgage loans.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2015. Adversely classified loans were 2.2% of the portfolio at March 31, 2016, and December 31, 2015. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At March 31, 2016, $120.3 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Risk assets are comprised of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due, and other property owned.

Components of Risk Assets

(dollars in thousands) As of:	**March 31 2016**	December 31 2015
Loans:		
Nonaccrual	**$ 12,338**	$ 25,266
Accruing restructured	**53**	59
Accruing loans 90 days or more past due	**255**	1,036
Total risk loans	**12,646**	26,361
Other property owned	**--**	--
Total risk assets	**$ 12,646**	$ 26,361
Total risk loans as a percentage of total loans	**0.3%**	0.5%
Nonaccrual loans as a percentage of total loans	**0.2%**	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**75.8%**	38.3%
Total delinquencies as a percentage of total loans	**0.6%**	0.7%

Note: Accruing loans include accrued interest receivable.

Our risk assets decreased from December 31, 2015, and remain at acceptable levels. Total risk loans as a percentage of total loans remain well within our established risk management guidelines.

The decrease in nonaccrual loans was primarily due to a large relationship in our agribusiness loan category settling during the first quarter of 2016. Nonaccrual loans remained at an acceptable level at March 31, 2016.

Our accounting policy requires accruing loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, all accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**March 31 2016**	December 31 2015
Allowance as a percentage of:		
Loans	**0.2%**	0.3%
Nonaccrual loans	**93.0%**	53.0%
Total risk loans	**90.8%**	50.8%

The allowance for loan losses decreased from $13.4 million at December 31, 2015, to $11.5 million at March 31, 2016, a decrease of $1.9 million. The decrease was primarily due to a reduction in specific reserves required on a large substandard loan in the agribusiness loan category that settled during the first quarter of 2016. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2016.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31		2016		2015
Net income	$	**21,135**	$	17,640
Return on average assets		**1.6%**		1.5%
Return on average members' equity		**7.7%**		7.0%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section, and changes in capital discussed in the Funding, Liquidity, and Capital section.

Changes in Significant Components of Net Income

(in thousands) For the three months ended March 31		2016		2015		Increase (decrease) in net income
Net interest income	$	**31,458**	$	29,280	$	**2,178**
Provision for credit losses		**113**		530		**417**
Patronage income		**4,149**		3,690		**459**
Other income, net		**6,018**		5,794		**224**
Operating expenses		**19,844**		20,090		**246**
Provision for income taxes		**533**		504		**(29)**
Net income	$	**21,135**	$	17,640	$	**3,495**

The following table quantifies changes in net interest income for the three months ended March 31, 2016, compared to the same period in 2015.

Changes in Net Interest Income

(in thousands)		2016 vs 2015
Changes in volume	$	**2,964**
Changes in interest rates		**(866)**
Changes in nonaccrual income and other		**80**
Net change	$	**2,178**

The change in the provision for credit losses was primarily related to lower volume of loans with specific allowances in the first quarter of 2016 compared to the same period in 2015.

The change in patronage income was primarily related to an increase in patronage income accrued related to an increase in the note payable to AgriBank, an increase in the wholesale spread on our note payable and patronage income received on loans in the AgriBank Asset Pool Program due to a higher average balance of our portfolio in the AgriBank Asset Pool Program, compared to the prior year. The increase was partially offset by a decrease in patronage income related to a lower patronage rate applied to the average balance on our note payable with AgriBank compared to the prior year.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures May 31, 2016, at which time the note will be renegotiated. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at March 31, 2016, or December 31, 2015.

Total members' equity increased $17.1 million from December 31, 2015, primarily due to net income for the period, which was partially offset by patronage distribution accruals.

Farm Credit Administration regulations require us to maintain a certain level for our permanent capital ratio, total surplus ratio, and core surplus ratio. Refer to Note 9 in our 2015 Annual Report for a more complete description of these ratios.

Select Capital Ratios

As of	Regulatory Minimums	**March 31 2016**	December 31 2015
Permanent capital ratio	7.0%	**16.7%**	16.6%
Total surplus ratio	7.0%	**16.6%**	16.5%
Core surplus ratio	3.5%	**16.6%**	16.5%

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

REGULATORY MATTERS

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the rule are to:

- Modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise
- 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
- Make System regulatory capital requirements more transparent
- Meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act

The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule.

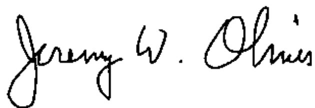
The effective date of the new capital requirements is January 1, 2017. We are currently evaluating the impact of the recently announced changes.

CERTIFICATION

The undersigned have reviewed the March 31, 2016, Quarterly Report of AgCountry Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Greg Nelson
Chairperson of the Board
AgCountry Farm Credit Services, ACA

Robert C. Bahl
President/Chief Executive Officer
AgCountry Farm Credit Services, ACA



Jeremy W. Oliver
SVP Finance and Operations/CFO
AgCountry Farm Credit Services, ACA

May 5, 2016

CONSOLIDATED STATEMENTS OF CONDITION

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:		March 31 2016		December 31 2015
ASSETS				
Loans	**$**	**4,912,993**	$	4,811,872
Allowance for loan losses		**11,477**		13,394
Net loans		**4,901,516**		4,798,478
Investment in AgriBank, FCB		**109,892**		109,986
Investment securities		**7,059**		7,059
Accrued interest receivable		**46,631**		57,450
Premises and equipment, net		**34,332**		33,732
Assets held for lease, net		**138,918**		152,945
Other assets		**29,441**		33,688
Total assets	**$**	**5,267,789**	$	5,193,338
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**4,083,523**	$	4,015,690
Accrued interest payable		**14,032**		12,343
Deferred tax liabilities, net		**32,168**		33,952
Patronage distribution payable		**4,000**		15,000
Other liabilities		**32,741**		32,111
Total liabilities		**4,166,464**		4,109,096
Contingencies and commitments (Note 6)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**7,464**		7,516
Unallocated surplus		**1,093,861**		1,076,726
Total members' equity		**1,101,325**		1,084,242
Total liabilities and members' equity	**$**	**5,267,789**	$	5,193,338

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

CONSOLIDATED STATEMENTS OF INCOME

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

For the period ended March 31	*Three Months Ended* 2016	2015
Interest income	**$ 45,490**	$ 40,654
Interest expense	**14,032**	11,374
Net interest income	**31,458**	29,280
Provision for credit losses	**113**	530
Net interest income after provision for credit losses	**31,345**	28,750
Other income		
Patronage income	**4,149**	3,690
Financially related services income	**3,148**	2,996
Fee income	**1,651**	1,538
Miscellaneous income, net	**1,219**	1,260
Total other income	**10,167**	9,484
Operating expenses		
Salaries and employee benefits	**11,742**	12,232
Other operating expenses	**8,102**	7,858
Total operating expenses	**19,844**	20,090
Income before income taxes	**21,668**	18,144
Provision for income taxes	**533**	504
Net income	**$ 21,135**	$ 17,640

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2014	$ 7,621	$ 993,504	$ 1,001,125
Net income	--	17,640	17,640
Unallocated surplus designated for patronage distributions	--	(2,925)	(2,925)
Capital stock and participation certificates issued	129	--	129
Capital stock and participation certificates retired	(136)	--	(136)
Balance at March 31, 2015	$ 7,614	$ 1,008,219	$ 1,015,833
Balance at December 31, 2015	$ 7,516	$ 1,076,726	$ 1,084,242
Net income	**--**	**21,135**	**21,135**
Unallocated surplus designated for patronage distributions	**--**	**(4,000)**	**(4,000)**
Capital stock and participation certificates issued	**96**	**--**	**96**
Capital stock and participation certificates retired	**(148)**	**--**	**(148)**
Balance at March 31, 2016	**$ 7,464**	**$ 1,093,861**	**$ 1,101,325**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2016, are not necessarily indicative of the results to be expected for the year ending December 31, 2016. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2015 (2015 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of AgCountry Farm Credit Services, ACA (the parent) and AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We are currently evaluating the impact of accounting standards that have been issued, but are not yet effective on our Consolidated Financial Statements. Refer to Note 2 in our 2015 Annual Report for additional information.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**March 31, 2016**		December 31, 2015	
	Amount	%	Amount	%
Real estate mortgage	**$ 1,774,553**	**36.1%**	$ 1,712,899	35.6%
Production and intermediate term	**1,639,325**	**33.4%**	1,751,047	36.4%
Agribusiness	**1,108,655**	**22.6%**	956,974	19.9%
Other	**390,460**	**7.9%**	390,952	8.1%
Total	**$ 4,912,993**	**100.0%**	$ 4,811,872	100.0%

The other category is primarily comprised of energy, communication, and international related loans, as well as finance leases.

Delinquency

Aging Analysis of Loans

(in thousands)

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	90 Days or More Past Due and Accruing
Real estate mortgage	**$ 4,709**	**$ 277**	**$ 4,986**	**$ 1,792,610**	**$ 1,797,596**	**$ 143**
Production and intermediate term	**22,740**	**2,491**	**25,231**	**1,633,602**	**1,658,833**	**112**
Agribusiness	**--**	**--**	**--**	**1,112,116**	**1,112,116**	**--**
Other	**165**	**151**	**316**	**390,751**	**391,067**	**--**
Total	**$ 27,614**	**$ 2,919**	**$ 30,533**	**$ 4,929,079**	**$ 4,959,612**	**$ 255**

As of 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	90 Days or More Past Due and Accruing
Real estate mortgage	$ 5,080	$ 37	$ 5,117	$ 1,733,509	$ 1,738,626	$ --
Production and intermediate term	13,549	3,330	16,879	1,762,177	1,779,056	1,036
Agribusiness	2,832	9,405	12,237	947,886	960,123	--
Other	383	28	411	391,095	391,506	--
Total	$ 21,844	$ 12,800	$ 34,644	$ 4,834,667	$ 4,869,311	$ 1,036

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which all principal and interest may not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:	**March 31 2016**	December 31 2015
Volume with specific reserves	**$ 6,199**	$ 18,472
Volume without specific reserves	**6,447**	7,889
Total risk loans	**$ 12,646**	$ 26,361
Total specific reserves	**$ 1,842**	$ 3,702
For the three months ended March 31	**2016**	2015
Income on accrual risk loans	**$ 47**	$ 3
Income on nonaccrual loans	**195**	115
Total income on risk loans	**$ 242**	$ 118
Average risk loans	**$ 15,919**	$ 16,124

Note: Accruing loans include accrued interest receivable.

The decrease in nonaccrual loans was primarily due to a large relationship in our agribusiness loan category settling during the first quarter of 2016.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at March 31, 2016.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We may record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

We completed TDRs of production and intermediate term loans during the three months ended March 31, 2015. Our recorded investment in these loans just prior to and immediately following the restructuring was $11 thousand during the three months ended March 31, 2015. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off. There were no TDRs completed during the three months ended March 31, 2016.

We had TDRs in the production and intermediate term loan category of $44 thousand and $17 thousand that defaulted during the three months ended March 31, 2016, and 2015, respectively, in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	March 31 2016	December 31 2015
Accrual status:		
Real estate mortgage	$ 53	$ 52
Production and intermediate term	--	7
Agribusiness	--	--
Other	--	--
Total TDRs in accrual status	$ 53	$ 59
Nonaccrual status:		
Real estate mortgage	$ 4,277	$ 4,365
Production and intermediate term	459	505
Agribusiness	683	12,960
Other	1,703	1,754
Total TDRs in nonaccrual status	$ 7,122	$ 19,584
Total TDRs status:		
Real estate mortgage	$ 4,330	$ 4,417
Production and intermediate term	459	512
Agribusiness	683	12,960
Other	1,703	1,754
Total TDRs	$ 7,175	$ 19,643

The decrease in TDRs outstanding from December 31, 2015, was primarily due to the settlement of a large troubled debt relationship in our agribusiness loan category during the first quarter of 2016. There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at March 31, 2016.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) Three months ended March 31	2016	2015
Balance at beginning of period	$ 13,394	$ 16,458
Provision for loan losses	85	299
Loan recoveries	88	50
Loan charge-offs	(2,090)	(18)
Balance at end of period	$ 11,477	$ 16,789

The allowance for loan losses decreased from $16.8 million at March 31, 2015, to $11.5 million at March 31, 2016, a decrease of $5.3 million. The decrease was primarily due to a reduction in specific reserves on a large substandard loan in the agribusiness loan category that settled during the first quarter of 2016.

The “Provision for credit losses” in the Consolidated Statements of Income includes a provision for loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded loan commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition.

Credit Loss Information

(in thousands) For the three months ended March 31	2016	2015
Provision for credit losses	$ 28	$ 231
As of:	March 31 2016	December 31 2015
Accrued credit losses	$ 1,398	$ 1,370

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $7.1 million at March 31, 2016, and December 31, 2015. Our investment securities consisted of Agricultural and Rural Community bonds.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio outstanding at March 31, 2016.

The amortized cost and fair value of investment securities was $7.1 million at March 31, 2016, and December 31, 2015. The weighted average yield of the investment securities was 1.9% and 1.8% at March 31, 2016, and December 31, 2015, respectively.

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $34 thousand and $30 thousand for the three months ended March 31, 2016, and 2015, respectively.

NOTE 4: OTHER INVESTMENT

We and other Farm Credit Institutions are among the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC facilitates equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Our total commitment is $7.0 million through October 2019. Our investment in the RBIC is recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $1.4 million at March 31, 2016, and $1.5 million at December 31, 2015.

The investment was evaluated for impairment. To date, we have not recognized any impairment on this investment. During the three months ended March 31, 2016, we received a distribution of $87 thousand as the RBIC sold an investment. The distribution was a return of contributed capital and therefore reduced our recorded investment. To date, no income has been distributed from the RBIC.

NOTE 5: MEMBERS’ EQUITY

Regulatory Capitalization Requirements

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. The effective date of the new capital requirements is January 1, 2017.

FCA Revised Capital Requirements

	Regulatory Minimums	Capital Conservation Buffer	Total
Risk adjusted:			
Common equity Tier 1 ratio	4.5%	2.5%	7.0%
Tier 1 capital ratio	6.0%	2.5%	8.5%
Total capital ratio	8.0%	2.5%	10.5%
Non-risk adjusted:			
Tier 1 leverage ratio	4.0%	1.0%	5.0%

If capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

NOTE 6: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We are among the forming limited partners in a RBIC. Refer to Note 4 for additional discussion regarding this commitment.

NOTE 7: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2015 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2016, or December 31, 2015.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	As of March 31, 2016				Three months ended March 31, 2016
	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	**$ --**	**$ 979**	**$ 3,596**	**$ 4,575**	**$ (230)**

	As of December 31, 2015				Three months ended March 31, 2015
	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	$ --	$ 985	$ 14,524	$ 15,509	$ (384)

Valuation Techniques

Impaired loans: Represents the carrying amount and related write-downs of loans, which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other property owned: Represents the fair value and related losses of assets acquired in collection of debt obligations that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 8: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 5, 2016, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.