



FARM CREDIT
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 OKLAHOMA
AGCREDIT

2016
Financial Report
SECOND QUARTER

NOTICE

The shareholders' investment in Oklahoma AgCredit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2015 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at:

Oklahoma AgCredit, ACA
601 East Kenosha St.
Broken Arrow, Oklahoma 74012
918-251-8596

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
(Unaudited)

The following discussion summarizes the financial position and results of operations of Oklahoma AgCredit, ACA for the six months ended June 30, 2016, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2015 Annual Report to Shareholders for Farm Credit of East Central Oklahoma, ACA (East Central Oklahoma) and Chisholm Trail Farm Credit, ACA (Chisholm Trail). The accompanying financial statements were prepared under the oversight of our Audit Committee.

On January 1, 2016, Chisholm Trail was merged into East Central Oklahoma. The merged association is conducting business under the name Oklahoma AgCredit, ACA (Oklahoma AgCredit) and is headquartered in Broken Arrow, Oklahoma. Butch McComas, former President and Chief Executive Officer of Chisholm Trail Farm Credit, ACA is the President and Chief Executive Officer of Oklahoma AgCredit, ACA. Oklahoma AgCredit encompasses the territories previously served by the separate associations.

Beginning in 2016, our balance sheet, income statement, average balances and related percentages include the effects of the merger with Chisholm Trail. Prior year results have not been restated to reflect the impact of the merger. Upon the closing of the merger, loans increased by \$284.1 million, assets increased by \$304.6 million, liabilities increased by \$248.3 million and shareholder's equity increased by \$56.3 million. These amounts include adjustments to fair value, as required by accounting standards for business combinations.

Cooler temperatures and timely rainfall during the second quarter allowed for abnormally good filling of wheat as it grew and matured. Drought during this time period was eliminated with above normal precipitation. Heat indexes began to creep up in June allowing growing wheat to ripen. The increased heat indexes have created a scenario where abnormally dry conditions throughout central Oklahoma could easily lead to drought issues in coming months as the heat of summer continues.

Cattle prices were down overall throughout the second quarter as a result of increased production. Beef and poultry production is expected to increase just over 4% during 2016 with pork production expected to decrease slightly. Beef consumption is projected to increase 2-3% while poultry and pork remain steady to down. Rebuilding cattle herd numbers is still progressing and expected to be at pre-drought levels by the end of 2016. A significant discount on futures during the second quarter allowed packers to move fed cattle quicker and resulted in lighter carcass weights. These discounts combined with additional production allowed for significant retailer advance bookings which will likely result in lower retail beef prices.

With the bumper 2016 wheat crop, prices fell below the average cost of production as well as below the FSA loan rate. The 2016 wheat harvest brought yields of 30-60 bushels per acre with protein levels averaging just under 11%. Discounts for test weight, dockage and foreign matter were significant and expected to continue for future years crops. Producers are encouraged to manage fields better so cleaner and better grain is harvested. Storage capacity has been reached in Oklahoma with several million bushels of wheat relegated to ground storage. Expectations are for increasing wheat sales in the near future to free storage space for fall crops which may further impact prices.

Crude oil prices have increased overall, falling slightly near the latter part, to end near \$45 per barrel. Oil companies have been cautious with stagnant activity. Lease bonus payments are in short supply with a sluggish outlook.

LOAN PORTFOLIO

Loans outstanding at June 30, 2016 totaled \$1.1 billion, an increase of \$317.0 million, or 41.3%, from loans of \$769.4 million at December 31, 2015. The increase was primarily due to the executed merger with Chisholm Trail with an increase in loans outstanding of \$284.1 million. The remaining increase was due to increased loan origination during the first and second quarters consisting of both customer loans and participation loans purchased.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2016 was \$8.3 million, an increase of \$2.1 million, or 34.7%, from the same period ended one year ago. The increase can be directly attributed to increases in net interest income and noninterest income partially offset by an increase in credit loss provision and noninterest expense due to the merger with Chisholm Trail.

Net interest income for the six months ended June 30, 2016 was \$15.3 million, an increase of \$5.3 million, or 52.7%, compared with June 30, 2015. Net interest income increased as a result of increased loan origination coupled with the merger with Chisholm Trail.

The provision for credit losses for the six months ended June 30, 2016 was \$575 thousand, compared to a \$16 thousand reversal of credit losses for the same period ended one year ago. The provision for credit losses increased as a result of the recent merger and elimination of the Chisholm Trail allowance. It was necessary to take a large provision to partially account for the Chisholm Trail merged portfolio's expected loss as well as an adjustment for land values. Additional adjustments were made in the second quarter due to the acceptance of the System's PD guidance resulting in an additional provision of \$85 thousand as well as an additional \$35 thousand reserve for unfunded commitments.

Noninterest income increased \$625 thousand during the first six months of 2016 compared with the first six months in 2015 primarily due to increases in patronage refund from Farm Credit Institutions and increased loan fees. Mineral income of \$291 thousand was recognized during the first six months of 2016. Of this amount, quarterly payments totaling \$256 thousand were received from CoBank.

During the first six months of 2016, noninterest expense increased \$3.2 million to \$9.2 million, primarily due to increases in salaries and benefits, occupancy and equipment, purchased services from AgVantis, Inc., Farm Credit Insurance Fund premiums, supervisory and examination costs and other noninterest expense, partially offset by lower merger costs. Gains on other property owned increased by \$95 thousand from the sale of property and was offset by \$9 thousand in acquisition costs. This overall increase is a result from the merger with Chisholm Trail.

CAPITAL RESOURCES

Our shareholders' equity at June 30, 2016 was \$236.7 million, an increase from \$172.0 million at December 31, 2015. This increase reflects the \$56.3 million in capital acquired in connection with the merger with Chisholm Trail and net income of \$8.3 million. Other items impacting shareholders' equity at June 30, 2016 included the amortization of pension costs of \$9 thousand.

REGULATORY MATTERS

On March 10, 2016, the FCA approved new rules ("New Capital Regulations") relating to regulatory capital requirements for System Banks, including CoBank, and Associations. The New Capital Regulations are scheduled to become effective January 1, 2017. The date the New Capital Regulations become effective is referred to herein as the "Effective Date." The stated objectives of the New Capital Regulations are as follows:

- To modernize capital requirements while ensuring that System institutions continue to hold sufficient regulatory capital to fulfill the System's 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 certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").

The New Capital Regulations, among other things, replace existing core surplus and total surplus requirements with common equity tier 1 ("CET1"), tier 1 and total capital (tier 1 plus tier 2) risk-based capital ratio requirements. The New Capital Regulations also add a tier 1 leverage ratio for all System institutions, which replaces the existing net collateral ratio for System Banks. In addition, the New Capital Regulations establish a capital conservation buffer and a leverage buffer; enhance the sensitivity of risk weightings; and, for System Banks only, require additional public disclosures. The revisions to the risk weightings include alternatives to the use of credit ratings, as required by the Dodd-Frank Act.

The New Capital Regulations set the following minimum risk-based requirements:

- A CET1 capital ratio of 4.5 percent;
- A tier 1 capital ratio (CET1 capital plus additional tier 1 capital) of 6 percent; and
- A total capital ratio (tier 1 plus tier 2) of 8 percent.

The New Capital Regulations establish a capital cushion (capital conservation buffer) of 2.5 percent above the risk-based CET1, tier 1 and total capital requirements. In addition, the New Capital Regulations establish a leverage capital cushion (leverage buffer) of 1 percent above the tier 1 leverage ratio requirements. If capital ratios fall below these buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. The New Capital Regulations establish a three-year phase-in of the capital conservation buffer, expected to begin on January 1, 2017. There will be no phase-in of the leverage buffer.

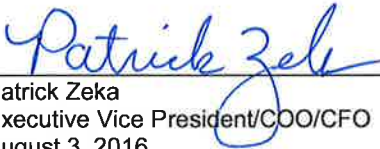
The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.

Handwritten signature of Dale McDaniel in black ink.

Dale McDaniel
Chairman of the Audit Committee
August 3, 2016

Handwritten signature of Butch McComas in black ink.

Butch McComas
President/CEO
August 3, 2016

Handwritten signature of Patrick Zeka in blue ink.

Patrick Zeka
Executive Vice President/COO/CFO
August 3, 2016

Consolidated Statement of Condition

(Dollars in Thousands)			
	June 30		December 31
	2016		2015
	UNAUDITED		AUDITED
ASSETS			
Loans	\$ 1,086,958		\$ 769,448
Less allowance for loan losses	2,388		1,898
Net loans	1,084,570		767,550
Cash	2,435		300
Accrued interest receivable	12,143		5,796
Investment in CoBank, ACB	34,411		22,543
Investment in AgDirect	2,046		1,675
Premises and equipment, net	7,304		5,031
Prepaid benefit expense	700		529
Deferred tax asset	15		-
Other assets	4,460		4,769
Total assets	\$ 1,148,084		\$ 808,193
LIABILITIES			
Note payable to CoBank, ACB	\$ 901,255		\$ 625,556
Advance conditional payments	3,013		1,271
Accrued interest payable	1,308		953
Patronage distributions payable	-		3,250
Accrued benefits liability	670		636
Reserve for unfunded commitments	200		118
Other liabilities	4,972		4,374
Total liabilities	911,418		636,158
Commitments and Contingencies			
SHAREHOLDERS' EQUITY			
Protected borrower stock	5		9
Capital stock	3,241		2,450
Additional paid-in capital	55,573		-
Unallocated retained earnings	177,945		169,683
Accumulated other comprehensive (loss)/income	(98)		(107)
Total shareholders' equity	236,666		172,035
Total liabilities and shareholders' equity	\$ 1,148,084		\$ 808,193
The accompanying notes are an integral part of these consolidated financial statements.			

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)				
	For the three months ended June 30		For the six months ended June 30	
UNAUDITED	2016	2015	2016	2015
INTEREST INCOME				
Loans	\$ 11,402	\$ 7,747	\$ 23,337	\$ 15,521
Total interest income	11,402	7,747	23,337	15,521
INTEREST EXPENSE				
Note payable to CoBank	3,963	2,766	8,011	5,486
Other	1	-	3	1
Total interest expense	3,964	2,766	8,014	5,487
Net interest income	7,438	4,981	15,323	10,034
Provision for credit losses/(reversal of credit losses)	120	(18)	575	(16)
Net interest income after provision for credit losses/(reversal of credit losses)	7,318	4,999	14,748	10,050
NONINTEREST INCOME				
Financially related services income	15	8	24	13
Loan fees	131	114	316	263
Patronage refund from Farm Credit Institutions	1,022	688	2,032	1,364
Mineral income	134	182	291	419
Other noninterest income	46	16	95	74
Total noninterest income	1,348	1,008	2,758	2,133
NONINTEREST EXPENSE				
Salaries and employee benefits	2,481	1,785	5,079	3,636
Occupancy and equipment	225	111	438	213
Purchased services from AgVantis, Inc.	538	307	1,101	613
Gains on other property owned, net	(86)	-	(86)	-
Farm Credit Insurance Fund premium	382	181	674	357
Merger-implementation costs	4	17	12	29
Supervisory and examination costs	91	46	272	168
Other noninterest expense	778	523	1,755	1,032
Total noninterest expense	4,413	2,970	9,245	6,048
Income before income taxes	4,253	3,037	8,261	6,135
Provision for income taxes	-	1	-	2
Net income	4,253	3,036	8,261	6,133
OTHER COMPREHENSIVE INCOME				
Amortization of retirement costs	4	4	9	9
Comprehensive income	\$ 4,257	\$ 3,040	\$ 8,270	\$ 6,142

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

Consolidated Statement of Changes in Shareholders' Equity						
(Dollars in Thousands)						
	Protected Borrower Stock	Capital Stock	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
UNAUDITED						
Balance at December 31, 2014	\$ 10	\$ 2,429	\$ -	\$ 161,280	\$ (112)	\$ 163,607
Comprehensive income				6,133	9	6,142
Stock issued	-	131				131
Stock retired	(1)	(122)				(123)
Patronage distributions: Other				166		166
Balance at June 30, 2015	\$ 9	\$ 2,438	\$ -	\$ 167,579	\$ (103)	\$ 169,923
Balance at December 31, 2015	\$ 9	\$ 2,450	\$ -	\$ 169,683	\$ (107)	\$ 172,035
Comprehensive income				8,261	9	8,270
Stock issued	-	167				167
Stock retired	(4)	(142)				(146)
Equity issued in connection with merger		766	55,573			56,339
Patronage distributions: Other				1		1
Balance at June 30, 2016	\$ 5	\$ 3,241	\$ 55,573	\$ 177,945	\$ (98)	\$ 236,666
The accompanying notes are an integral part of these consolidated financial statements.						

NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Oklahoma AgCredit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2015, are contained in the 2015 Annual Report to Shareholders. These unaudited second quarter 2016 financial statements should be read in conjunction with the 2015 Annual Report to Shareholders.

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 Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. 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 Shareholders. 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.

Effective January 1, 2016, Chisholm Trail Farm Credit, ACA (Chisholm Trail) was merged into Farm Credit Services of East Central Oklahoma, ACA (East Central Oklahoma). East Central Oklahoma acquired 100% of the assets and liabilities of Chisholm Trail. The merged Association conducts business under the name of Oklahoma AgCredit, ACA (Oklahoma AgCredit) and is headquartered in Broken Arrow, Oklahoma. The primary reason for the merger was to gain operational efficiencies, yield even greater economies of scale and provide resources collectively previously unavailable to both Associations. The effects of the merger are included in the Association's results of operations, balance sheet, average balances and related metrics beginning in 2016.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Balance Sheet reflects the merged balances as of March 31 2016 and the balances for East Central Oklahoma prior to January 1, 2016. The Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Shareholders' Equity reflect the results of the merged Association after January 1, 2016 and East Central Oklahoma activity prior to January 1, 2016. Information presented in the Notes to the Consolidated Financial Statement for 2016 reflects balances of the merged Association.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of their borrowers and other customers and not for the benefit of equity investors. As such, their capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, the Associations can issue stock only at its par value of \$5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. In these reports and other respects, the shares of Chisholm Trail stock that were converted in the merger and the shares of Oklahoma AgCredit stock to which they were converted had identical rights and attributes. For this reason, the conversion of Chisholm Trail stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e. each Chisholm Trail share was converted into one share of Oklahoma AgCredit stock with an equal par value).

Management believes that because the stock in each association is fixed in value (although subject to impairment), the East Central Oklahoma stock issued pursuant to the merger provided no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, East Central Oklahoma undertook a process to identify and estimate the acquisition-date fair value of Chisholm Trail's equity interests instead of the acquisition-date fair value of East Central Oklahoma's equity interests transferred as consideration. The fair value of assets acquired, including specific intangible assets and liabilities assumed from Chisholm Trail, were measured based on various estimates using assumptions that East Central Oklahoma management believes are reasonable utilizing information currently available. Use of different estimate and judgments could yield materially different results.

The merger was accounted for under the acquisition method of accounting, as prescribed by Accounting Standards Codification (805, Business Combinations (ASC 805). Pursuant to these rules, Oklahoma AgCredit acquired the assets and assumed the liabilities of Chisholm Trail at their acquisition-date fair value. The fair value of the net identifiable assets acquired (\$304.6 million) was substantially equal to the fair value of the equity

interest exchanged in the merger. As a result, no goodwill was recorded. In addition, no material amounts of intangible assets were acquired. A net increase of \$56.3 million was recorded in shareholders' equity related to the merger.

The following condensed statement of net assets acquired reflects that fair value assigned to Chisholm Trail's net assets as of the acquisition date.

Condensed Statement Of Net Assets Acquired	January 1, 2016
Assets	
Net loans	\$ 284,149
Cash	1,387
Accrued interest receivable	3,297
Other assets	15,796
Total Assets	\$ 304,629
Liabilities	
Notes payable	\$ 240,622
Accrued interest payable	339
Other liabilities	7,329
Total Liabilities	\$ 248,290
Fair Value of Net Assets Acquired	\$ 56,339

There were not subsequent changes to these fair values. Fair value adjustments to Chisholm Trail's assets and liabilities included a \$1.7 million decrease to loans and a \$339 thousand decrease to notes payable to reflect changes in interest rates and other market conditions since the time these instruments were issued. These differences will be accreted or amortized into net interest income over the remaining life of the respective loans and debt instruments on an effective yield basis, with the majority being recognized in diminishing amounts in the first five years following the merger. The Association expects to collect the substantial majority of the contractual amounts of the acquired loans, which totaled \$288.2 million at January 1, 2016.

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

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

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

and early application is permitted. 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.

Certain amounts in the prior period 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.

	June 30, 2016	December 31, 2015
Real estate mortgage	\$ 740,550	\$ 542,608
Production and intermediate-term	181,790	87,543
Agribusiness:		
Loans to cooperatives	32,597	7,914
Processing and marketing	75,209	80,356
Farm-related business	6,393	3,506
Rural infrastructure:		
Communication	13,929	14,305
Energy	29,034	23,392
Water and waste water	(5)	4,336
Rural residential real estate	715	551
Agricultural export finance	6,746	4,937
Total loans	\$ 1,086,958	\$ 769,448

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, 2016:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 34,346	\$ 27,804	\$ 978	\$ --	\$ 35,324	\$ 27,804
Production and intermediate-term	26,863	5,680	58	--	26,921	5,680
Agribusiness	111,854	--	64	--	111,918	--
Rural infrastructure	44,468	1,382	8	--	44,476	1,382
Agricultural export finance	6,755	--	--	--	6,755	--
Total	\$ 224,286	\$ 34,866	\$ 1,108	\$ --	\$ 225,394	\$ 34,866

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

	June 30, 2016	December 31, 2015
Real estate mortgage		
Acceptable	97.26%	96.54%
OAEM	0.86%	2.24%
Substandard	1.88%	1.22%
Total	100.00%	100.00%
Production and intermediate-term		
Acceptable	96.04%	95.54%
OAEM	3.73%	4.45%
Substandard	0.23%	0.01%
Total	100.00%	100.00%
Agribusiness		
Acceptable	96.88%	96.05%
OAEM	2.17%	2.71%
Substandard	0.95%	1.24%
Total	100.00%	100.00%
Rural infrastructure		
Acceptable	95.38%	95.22%
OAEM	4.62%	2.59%
Substandard	0.00%	2.19%
Total	100.00%	100.00%
Rural residential real estate		
Acceptable	98.88%	98.16%
OAEM	1.12%	1.84%
Total	100.00%	100.00%
Agricultural export finance		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Total Loans		
Acceptable	96.96%	96.32%
OAEM	1.62%	2.55%
Substandard	1.42%	1.13%
Total	100.00%	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

<i>(dollars in thousands)</i>	June 30, 2016	December 31, 2015
Nonaccrual loans		
Real estate mortgage	\$ 12,129	\$ 5,199
Production and intermediate-term	1	--
Rural infrastructure	--	921
Total nonaccrual loans	12,130	6,120
Accruing restructured loans		
Real estate mortgage	200	227
Rural infrastructure	888	--
Total accruing restructured loans	1,088	227
Accruing loans 90 days past due		
Real estate mortgage	81	156
Production and intermediate-term	381	--
Total accruing loans 90 days past due	462	156
Total high risk assets	\$ 13,680	\$ 6,503

Additional impaired loan information is as follows:

	June 30, 2016			December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	\$ 3,064	\$ 3,815	\$ 514	\$ 3,222	\$ 3,930	\$ 514
Total	\$ 3,064	\$ 3,815	\$ 514	\$ 3,222	\$ 3,930	\$ 514
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	\$ 9,346	\$ 9,550	\$ --	\$ 2,360	\$ 2,634	\$ --
Production and intermediate-term	382	1,859	--	--	--	--
Rural infrastructure	888	1,089	--	921	1,111	--
Total	\$ 10,616	\$ 12,498	\$ --	\$ 3,281	\$ 3,745	\$ --
Total impaired loans:						
Real estate mortgage	\$ 12,410	\$ 13,365	\$ 514	\$ 5,582	\$ 6,564	\$ 514
Production and intermediate-term	382	1,859	--	--	--	--
Rural infrastructure	888	1,089	--	921	1,111	--
Total	\$ 13,680	\$ 16,313	\$ 514	\$ 6,503	\$ 7,675	\$ 514

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.

	For the Three Months Ended June 30, 2016		For the Three Months Ended June 30, 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	\$ 3,218	\$ --	\$ 4,091	\$ --
Total	\$ 3,218	\$ --	\$ 4,091	\$ --
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	\$ 6,568	\$ 39	\$ 2,517	\$ 30
Production and intermediate-term	128	3	3	2
Rural infrastructure	1,002	14	955	--
Total	\$ 7,698	\$ 56	\$ 3,475	\$ 32
Total impaired loans:				
Real estate mortgage	\$ 9,786	\$ 39	\$ 6,608	\$ 30
Production and intermediate-term	128	3	3	2
Rural infrastructure	1,002	14	955	--
Total	\$ 10,916	\$ 56	\$ 7,566	\$ 32

	For the Six Months Ended June 30, 2016		For the Six Months Ended June 30, 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	\$ 3,219	\$ --	\$ 4,091	\$ --
Total	\$ 3,219	\$ --	\$ 4,091	\$ --
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	\$ 5,235	\$ 258	\$ 2,633	\$ 152
Production and intermediate-term	65	3	4	2
Rural infrastructure	956	15	962	--
Total	\$ 6,256	\$ 276	\$ 3,599	\$ 154
Total impaired loans:				
Real estate mortgage	\$ 8,454	\$ 258	\$ 6,724	\$ 152
Production and intermediate-term	65	3	4	2
Rural infrastructure	956	15	962	--
Total	\$ 9,475	\$ 276	\$ 7,690	\$ 154

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
June 30, 2016						
Real estate mortgage	\$ 2,849	\$ 8,565	\$ 11,414	\$ 737,579	\$ 748,993	\$ 82
Production and intermediate-term	2,469	380	2,849	182,217	185,066	380
Agribusiness	156	--	156	114,396	114,552	--
Rural infrastructure	--	--	--	43,005	43,005	--
Rural residential real estate	--	--	--	717	717	--
Agricultural export finance	--	--	--	6,768	6,768	--
Total	\$ 5,474	\$ 8,945	\$ 14,419	\$ 1,084,682	\$ 1,099,101	\$ 462

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
December 31, 2015						
Real estate mortgage	\$ 1,536	\$ 479	\$ 2,015	\$ 545,213	\$ 547,228	\$ 156
Production and intermediate-term	147	--	147	88,162	88,309	--
Agribusiness	--	--	--	92,102	92,102	--
Rural infrastructure	--	--	--	42,094	42,094	--
Rural residential real estate	--	--	--	552	552	--
Agricultural export finance	--	--	--	4,959	4,959	--
Total	\$ 1,683	\$ 479	\$ 2,162	\$ 773,082	\$ 775,244	\$ 156

A summary of changes in the allowance for loan losses is as follows:

	Balance at March 31, 2016	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2016
Real estate mortgage	\$ 1,862	\$ 3	\$ --	\$ 12	\$ 1,871
Production and intermediate-term	174	--	--	37	211
Agribusiness	175	--	--	14	189
Rural infrastructure	93	--	--	19	112
Agricultural export finance	2	--	--	3	5
Total	\$ 2,306	\$ 3	\$ --	\$ 85	\$ 2,388

	Balance at December 31, 2015	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2016
Real estate mortgage	\$ 1,643	\$ 3	\$ --	\$ 231	\$ 1,871
Production and intermediate-term	44	--	--	167	211
Agribusiness	128	--	--	61	189
Rural infrastructure	81	--	--	31	112
Agricultural export finance	2	--	--	3	5
Total	\$ 1,898	\$ 3	\$ --	\$ 493	\$ 2,388

	Balance at March 31, 2015	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2015
Real estate mortgage	\$ 1,569	\$ 2	\$ 2	\$ 11	\$ 1,580
Production and intermediate-term	83	--	--	(26)	57
Agribusiness	177	--	--	(61)	116
Rural infrastructure	214	--	--	(44)	170
Agricultural export finance	2	--	--	--	2
Total	\$ 2,045	\$ 2	\$ 2	\$ (120)	\$ 1,925

	Balance at December 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2015
Real estate mortgage	\$ 1,567	\$ 4	\$ 4	\$ 13	\$ 1,580
Production and intermediate-term	102	--	--	(45)	57
Agribusiness	165	--	--	(49)	116
Rural infrastructure	206	--	--	(36)	170
Agricultural export finance	3	--	--	(1)	2
Total	\$ 2,043	\$ 4	\$ 4	\$ (118)	\$ 1,925

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive income, along with the provision for loan losses.

A summary of changes in the reserve for unfunded commitments follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Balance at beginning of period	\$ 165	\$ --	\$ 118	\$ --
Provision for unfunded commitments	35	102	82	102
Total	\$ 200	\$ 102	\$ 200	\$ 102

	Allowance for Credit Losses Ending Balance at June 30, 2016		Recorded Investments in Loans Outstanding Ending Balance at June 30, 2016	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	\$ 514	\$ 1,357	\$ 12,411	\$ 736,582
Production and intermediate-term	--	211	381	184,685
Agribusiness	--	189	--	114,552
Rural infrastructure	--	112	888	42,117
Rural residential real estate	--	--	--	717
Agricultural export finance	--	5	--	6,768
Total	\$ 514	\$ 1,874	\$ 13,680	\$ 1,085,421

	Allowance for Credit Losses Ending Balance at December 31, 2015		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2015	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	\$ 514	\$ 1,129	\$ 5,582	\$ 541,646
Production and intermediate-term	--	44	--	88,309
Agribusiness	--	128	--	92,102
Rural infrastructure	--	81	921	41,173
Rural residential real estate	--	--	--	552
Agricultural export finance	--	2	--	4,959
Total	\$ 514	\$ 1,384	\$ 6,503	\$ 768,741

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association had no trouble debt restructurings that occurred during the periods presented.

The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the period. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at June 30, 2016.

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

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Real estate mortgage	\$ 200	\$ 227	\$ --	\$ --
Rural infrastructure	--	921	--	921
Total	\$ 200	\$ 1,148	\$ --	\$ 921

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Pension and other benefit plans:				
Beginning balance	\$ (102)	\$ (107)	\$ (107)	\$ (112)
Other comprehensive income before reclassifications	4	4	9	9
Net current period other comprehensive income/(loss)	4	4	9	9
Ending balance	\$ (98)	\$ (103)	\$ (98)	\$ (103)

The following table represents reclassifications out of accumulated other comprehensive income/(loss).

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended June 30		
	2016	2015	
Pension and other benefit plans:			
Net actuarial loss	\$ 4	\$ 4	Salaries and employee benefits
Total reclassifications	\$ 4	\$ 4	

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)		Location of Gain/Loss Recognized in Statement of Income
	For the Six Months Ended June 30		
	2016	2015	
Pension and other benefit plans:			
Net actuarial loss	\$ 9	\$ 9	Salaries and employee benefits
Total reclassifications	\$ 9	\$ 9	

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2015 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets held in nonqualified benefits trusts				
June 30, 2016	\$ 967	\$ --	\$ --	\$ 967
December 31, 2015	\$ 1,242	\$ --	\$ --	\$ 1,242

During the first six months of 2016, the Association recorded no transfers in or out of Levels 1, 2, or 3.

The Association had no liabilities measured at fair value on a recurring basis at June 30, 2016 or December 31, 2015.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value	Total Gains/(Losses)
	Level 1	Level 2	Level 3		
June 30, 2016 Loans	\$ —	\$ —	\$ 2,550	\$ 2,550	\$ --
December 31, 2015 Loans	\$ —	\$ —	\$ 4,714	\$ 4,714	\$ 63

With regard to 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 takes into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

The Association had no liabilities measured at fair value on a non-recurring basis at June 30, 2016 or December 31, 2015.

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

Valuation Techniques

As more fully discussed in Note 2 to the 2015 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying real estate collateral since the loans are 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, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established and the net loan is reported at its fair value.

NOTE 5 –SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 3, 2016, which is the date the financial statements were issued, and no material subsequent events were identified.