GreenStone Farm Credit Services, ACA

Quarterly Report
June 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the parent) and GreenStone Farm Credit Services, FLCA and GreenStone 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 GreenStone 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

The Organization for Economic Co-operation and Development (OECD) is projecting global Gross Domestic Product (GDP) growth to be 3.0% in 2016, unchanged from last year, with only a modest improvement foreseen in 2017. In the U.S., a moderate recovery is expected to continue as headwinds from the strong dollar and declining energy sector investment fade. U.S. GDP growth is projected to be 1.8% in 2016, with a slight uptick to 2.2% in 2017. A gradual upturn in wage growth is projected to support domestic demand as the labor market approaches full employment, with a slow improvement in productivity growth limiting the emergence labor market pressures. Recently released consumer spending data shows a sharp uptick in the second quarter, with the three-month annualized rate up 4.2% in May. Manufacturing activity also continued to rebound with the Institute for Supply Management manufacturing index posting its fourth consecutive reading in expansion territory.

Nonfarm employment was lower than expected in May, as payrolls rose by just 38,000 and the prior two months of data were revised down. Employment increased in healthcare, while mining continued to lose jobs, and employment in information decreased due to a strike. The unemployment rate fell to a cycle-low of 4.7%, but for unfavorable reasons, specifically the drop in labor force participation. Michigan and Wisconsin continue to show growth in nonfarm payrolls reporting respective jobs added of 82,000 and 43,700 over the prior year. Michigan's unemployment rate was in-line with the national level of 4.7%, while Wisconsin's unemployment rate was slightly below the national level at 4.2% in May 2016.

U.S. housing starts slipped in May as the construction of multi-family housing units dropped, but further gains in building permits suggest a rebound that would continue to support economic growth in the second quarter. U.S. housing starts in May were reported at a seasonally adjusted annual rate of 1,164,000. This is a 0.3% decline from the revised April estimate, but 9.5% above the May 2015 rate. Building permits authorized in May were at a seasonally adjusted annual rate of 1,138,000, or a 0.7% increase above the revised April rate, but 10.1% below the May 2015 estimate.

The most recent United States Department of Agriculture (USDA) estimate indicates farmers planted 94.1 million acres of corn, up 7.0% from last year. This represents the third highest planted acreage in the United States since 1944. U.S. soybean planted acres for 2016 is estimated at a record high 83.7 million, up 1% from 2015 and will be a record high if realized. As of June 1, the USDA estimated soybeans stored to be 870 million bushels, up 39% from the prior year. Corn stocks were estimated to be 4.7 billion bushels, up 6% from the same time last year. As of June 27, 2016, the USDA reported 72% of the U.S. soybean crop and 75% of the national corn crop is in good-to-excellent condition, well ahead of last year's crop condition.

In Michigan, a cool and wet spring has been followed by high temperatures and abnormally dry conditions which are tempering yield expectations at this time for many of our producers. The USDA drought monitoring map has the vast majority of Lower Michigan identified as experiencing abnormally dry to moderate drought conditions. Growing conditions in Northeast Wisconsin have been above average to excellent year to date.

Recent data suggest a larger supply of milk cows for 2016; the USDA is now forecasting 9.3 million head, 20,000 more than projected in March 2016. With milk cow numbers higher than expected, the forecast for milk production for the year has been increased from 211.6 billion pounds to 212.6 billion pounds. The USDA has increased its 2016 forecasted Class III and Class IV prices to $13.40-$13.80 per cwt and $13.15-$13.65, respectively. With a more gradual decline in cow numbers expected for 2017, the USDA increased its 2017 production forecast to 215.3 billion pounds.

While broiler prices have seen some recovery this year, expected increases in feed costs may keep producer margins relatively weak. Egg prices, on the other hand, have seen significant 2016 declines in wholesale prices, indicating a poor outlook for producer margins. The table egg flock is forecast to continue to expand in 2016, however, the current low wholesale egg prices are forecast to put downward pressure on production in the second half of the year, although production is forecast to be significantly higher than the highly pathogenic avian influenza-reduced production during the second half of 2015. The USDA is now forecasting the average 2016 price at $0.90-$0.94 per dozen, compared to an average 2016 price of $1.37-$1.45 per dozen forecasted by the USDA in March.

On a positive note, the USDA currently projects steady gains in U.S. beef, pork, and chicken exports in 2016 and 2017. The increase in exports reflects the fact that U.S. production for all proteins is expected to increase in the short to medium term. Lower feed grain prices and positive margins have fueled expansion and exports should help soak up some of the additional supply.

During its June policy meeting, the Federal Open Market Committee (FOMC) left the fed funds rate unchanged at ¼ to ½ percent. In the quarterly economic projections, the committee lowered its expectations for real economic growth for 2016 and the funds rate for 2017 and 2018 as well as the longer-term rate. In addition, the FOMC raised its expectation for inflation in 2016 and its expectation for the unemployment rate was unchanged. Projections of the fed funds rates contained in the FOMC's dot plot have been consistently lowered, while the median FOMC plot remains between 0.75% and 1.00% in 2016.

The outcome of the Brexit vote, which calls for the United Kingdom (UK) to leave the European Union (EU), set off waves in global financial markets and raised concerns that the turmoil could lead to a global recession that could trip up the U.S. economy as well. The direct effects of Brexit on the U.S. economy should be limited. U.S. exports to the UK totaled $56 billion in 2015, accounting for only 4% of U.S. exports. American exports to the UK amount to roughly 0.4% of U.S. GDP, suggesting that even in the event of a UK recession, the effects should be manageable. The concern continues to be the strengthening of the U.S. dollar that has taken place since the Brexit announcement, and its impact on exports of agricultural products and interest rates.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $7.4 billion at June 30, 2016, a $147.5 million increase from December 31, 2015.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank was $7.7 billion at June 30, 2016, a $123.9 million increase from December 31, 2015. Our combined mortgage portfolio increased $162.4 million, or 3.0% from December 31, 2015. Our short-term commercial loan portfolio decreased $38.5 million, or 1.9% from December 31, 2015. When compared to June 2015, owned and managed mortgage volume is up 9.6% and commercial loan volume is up 9.2%, driven by growth in all market segments and being led by our capital markets and commercial lending segments that have increased 28.9% and 12.0% since June 30, 2015, respectively. Our current volume reflects an asset growth rate year over year that supports our 2016 Business Plan.

Portfolio Credit Quality

The credit quality of our loan portfolio remained strong during the first half of 2016. Acceptable loan credit quality, as measured under the Uniform Classification System, decreased slightly to 95.5% after beginning the year at 97.6%. Year over year, acceptable credit quality decreased 1.9 percentage points from 97.4% at June 30, 2015. Portfolio assets criticized as being less than acceptable are comprised of 2.7% other assets especially mentioned (OAEM) and 1.8% adversely classified. Both categories increased slightly from December 31, 2015.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. The credit quality of our core market of traditional production farm loans remains very sound. Weaker borrowers in our greenhouse/nursery, part-time farmer, and general crop and livestock farm portfolios continued to be challenged financially during the first half of 2016.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse asset to risk funds ratio of 10.5%. This ratio has increased 2.2 percentage points since December 31, 2015 but remains sound. This ratio is a good measure of our risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At June 30, 2016, $258.0 million of our loans were, to some level, guaranteed under these programs.

Risk Assets

The following table summarizes risk assets (accruing loans include accrued interest receivable) and delinquency information (dollars in thousands):

As of:	**June 30 2016**	December 31 2015
Loans:		
Nonaccrual	**$45,299**	$41,954
Accruing restructured	**3,233**	3,459
Accruing loans 90 days or more past due	**1,455**	34
Total risk loans	**49,987**	45,447
Acquired property	**2,140**	2,440
Total risk assets	**$52,127**	$47,887
Total risk loans as a percentage of total loans	**0.7%**	0.6%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**65.0%**	78.6%
Total delinquencies as a percentage of total loans	**0.4%**	0.3%

Our risk assets have increased slightly from December 31, 2015 but remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loans remained at an acceptable level at June 30, 2016 as they increased from $42.0 million at December 31, 2015 to $45.3 million. This $3.3 million increase in nonaccrual volume was primarily attributable to an increase of $3.2 million in the ProPartners Financial portfolio. As of June 30, 2016, approximately 31% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 26% general crop and livestock farms, and 16% part-time farmers.

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 loans 90 days or more past due and still accruing interest 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:	**June 30 2016**	December 31 2015
Allowance as a percentage of:		
Loans	**0.6%**	0.5%
Nonaccrual loans	**91.7%**	81.7%
Total risk loans	**83.1%**	75.5%

The allowance for loan losses increased $7.2 million from December 31, 2015 to June 30, 2016. During the first half of 2016, a provision for loan loss of $7.5 million was recorded, which was slightly offset by $279 thousand of net charge-offs. The increase in the allowance for loan losses is primarily due to a large capital markets relationship that was downgraded during the year.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income for the six months ended June 30, 2016 included a provision for credit losses on unfunded loan commitments of $3.0 million. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $5.7 million and $2.7 million as of June 30, 2016 and December 31, 2015, respectively.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2016.

RESULTS OF OPERATIONS

Profitability Information
(dollars in thousands)

For the six months ended June 30	2016	2015
Net income	**$62,160**	$65,859
Return on average assets	**1.7%**	1.9%
Return on average members' equity	**8.9%**	10.2%

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 six months ended June 30	2016	2015	Increase (decrease) in net income
Net interest income	**$95,260**	$88,998	**$6,262**
Provision for credit losses	**(10,532)**	(1,578)	**(8,954)**
Patronage income	**10,179**	11,438	**(1,259)**
Financially related services income	**4,199**	4,169	**30**
Fee income	**6,550**	6,852	**(302)**
Acquired property income, net	**76**	232	**(156)**
Miscellaneous income, net	**1,044**	397	**647**
Operating expenses	**(44,343)**	(42,475)	**(1,868)**
Provision for income taxes	**(273)**	(2,174)	**1,901**
Net income	**$62,160**	$65,859	**($3,699)**

Changes in Net Interest Income
(in thousands)

For the six months ended June 30	2016 vs 2015
Changes in volume	**$8,768**
Changes in interest rates	**(2,089)**
Changes in nonaccrual income and other	**(417)**
Net change	**$6,262**

The change in provision for credit losses of $9.0 million for the first half of 2016 compared to the prior year was primarily due to the downgrade of a large capital markets relationship.

We receive patronage income from AgriBank primarily based on the average balance of our note payable to AgriBank. In 2015, AgriBank paid a patronage rate of 26 basis points. The rate declined to 21 basis points as of June 30, 2016.

The change in operating expenses was primarily related to Farm Credit System Insurance Corporation (FCSIC) expense. FCSIC expense increased $1.3 million, or 34.2%, during the first half of 2016 compared to 2015 primarily due to an increase in the average premium rate charged on accrual loans by FCSIC from 13 basis points in 2015 to 17 basis points in 2016.

The decrease in provision for income taxes was primarily related to lower taxable income on the taxable ACA entity.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures on January 31, 2017, 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, and bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at June 30, 2016 or December 31, 2015.

Total members' equity increased $47.0 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 8 in our 2015 Annual Report for a more complete description of these ratios.

Select Capital Ratios As of	Regulatory Minimums	**June 30 2016**	December 31 2015
Permanent capital ratio	7.0%	**16.2%**	16.0%
Total surplus ratio	7.0%	**15.9%**	15.8%
Core surplus ratio	3.5%	**15.9%**	15.8%

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

Regulatory Capital Requirements

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 ratios with common equity tier 1, tier 1 and total capital risk-based capital ratios. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. Refer to Note 4 of the accompanying Consolidated Financial Statements for additional information regarding these ratios.

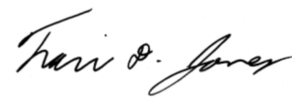
The effective date of the new capital requirements is January 1, 2017. We are currently evaluating the impact of the recently announced changes.

CERTIFICATION

The undersigned have reviewed the June 30, 2016 Quarterly Report of GreenStone 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.

Scott A. Roggenbuck
Chair of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA



Travis D. Jones
Executive Vice President - Chief Financial Officer
GreenStone Farm Credit Services, ACA

August 4, 2016

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:	**June 30 2016**	December 31 2015
ASSETS		
Loans	**$7,440,146**	$7,292,647
Allowance for loan losses	**41,529**	34,290
Net loans	**7,398,617**	7,258,357
Investment in AgriBank, FCB	**115,472**	111,217
Investment securities	**18,467**	20,587
Accrued interest receivable	**52,568**	50,409
Premises and equipment, net	**41,744**	39,753
Acquired Property	**2,140**	2,440
Deferred tax assets, net	**6,729**	4,917
Other assets	**35,641**	38,960
Total assets	**$7,671,378**	$7,526,640
LIABILITIES		
Note payable to AgriBank, FCB	**$6,170,277**	$6,060,273
Accrued interest payable	**25,905**	23,976
Patronage distribution payable	**15,250**	35,272
Other liabilities	**43,802**	37,996
Total liabilities	**6,255,234**	6,157,517
Contingencies and commitments (Note 5)		
MEMBERS' EQUITY		
Protected members' equity	**1**	2
Capital stock and participation certificates	**21,535**	21,436
Unallocated surplus	**1,394,608**	1,347,685
Total members' equity	**1,416,144**	1,369,123
Total liabilities and members' equity	**$7,671,378**	$7,526,640

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

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2016**	2015	**2016**	2015
Interest income	**$74,429**	$67,388	**$147,988**	$134,486
Interest expense	**26,643**	23,048	**52,728**	45,488
Net interest income	**47,786**	44,340	**95,260**	88,998
Provision for credit losses	**8,596**	4,965	**10,532**	1,578
Net interest income after provision for credit losses	**39,190**	39,375	**84,728**	87,420
Non-interest income				
Patronage income	**5,233**	5,723	**10,179**	11,438
Financially related services income	**1,702**	1,480	**4,199**	4,169
Fee income	**3,580**	3,900	**6,550**	6,852
Acquired property income, net	**118**	148	**76**	232
Miscellaneous income, net	**147**	38	**1,044**	397
Total non-interest income	**10,780**	11,289	**22,048**	23,088
Operating expenses				
Salaries and employee benefits	**14,228**	14,228	**28,159**	28,239
Other operating expenses	**8,047**	7,091	**16,184**	14,236
Total operating expenses	**22,275**	21,319	**44,343**	42,475
Income before income taxes	**27,695**	29,345	**62,433**	68,033
(Benefit from) provision for income taxes	**(423)**	236	**273**	2,174
Net income	**$28,118**	$29,109	**$62,160**	$65,859

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

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

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2014	$2	$21,105	$1,241,867	$1,262,974
Net income	--	--	65,859	65,859
Unallocated surplus designated for patronage distributions	--	--	(15,050)	(15,050)
Capital stock and participation certificates issued	--	981	--	981
Capital stock and participation certificates retired	--	(814)	--	(814)
Balance at June 30, 2015	$2	$21,272	$1,292,676	$1,313,950
Balance at December 31, 2015	$2	$21,436	$1,347,685	$1,369,123
Net income	**--**	**--**	**62,160**	**62,160**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(15,237)**	**(15,237)**
Capital stock and participation certificates issued	**--**	**909**	**--**	**909**
Capital stock and participation certificates retired	**(1)**	**(810)**	**--**	**(811)**
Balance at June 30, 2016	**$1**	**$21,535**	**$1,394,608**	**$1,416,144**

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 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 six months ended June 30, 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 GreenStone Farm Credit Services, ACA (the parent) and GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

The following accounting standards have been issued during the second quarter of 2016, but are not yet effective.

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. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2020 and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

Refer to Note 2 in our 2015 Annual Report for additional information on other accounting standards that have been issued, but are not yet effective. We are currently evaluating the impact of the guidance on our Consolidated Financial Statements. No accounting pronouncements were adopted during the six months ended June 30, 2016.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type
(dollars in thousands)

As of:	**June 30, 2016**		December 31, 2015	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$4,326,813**	**58.2%**	$4,345,125	59.6%
Production and intermediate term	**1,960,942**	**26.4**	2,177,244	29.9
Agribusiness	**829,464**	**11.1**	445,927	6.1
Other	**322,927**	**4.3**	324,351	4.4
Total	**$7,440,146**	**100.0%**	$7,292,647	100.0%

The other category is primarily comprised of rural residential real estate, communication, and international loans, as well as loans originated under the Mission Related Investment authority.

Delinquency

Aging Analysis of Loans
(in thousands)

As of June 30, 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	**$10,494**	**$7,818**	**$18,312**	**$4,340,355**	**$4,358,667**	**$ --**
Production and intermediate term	**5,614**	**6,416**	**12,030**	**1,966,134**	**1,978,164**	**1,455**
Agribusiness	**--**	**--**	**--**	**831,877**	**831,877**	**--**
Other	**1,800**	**843**	**2,643**	**321,008**	**323,651**	**--**
Total	**$17,908**	**$15,077**	**$32,985**	**$7,459,374**	**$7,492,359**	**$1,455**

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	$9,265	$2,920	$12,185	$4,361,252	$4,373,437	$ --
Production and intermediate term	2,711	2,537	5,248	2,192,064	2,197,312	34
Agribusiness	--	--	--	446,897	446,897	--
Other	2,049	1,076	3,125	321,932	325,057	--
Total	$14,025	$6,533	$20,558	$7,322,145	$7,342,703	$34

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:	**June 30 2016**	December 31 2015
Volume with specific reserves	**$24,113**	$27,935
Volume without specific reserves	**25,874**	17,512
Total risk loans	**$49,987**	$45,447
Total specific reserves	**$9,886**	$11,904
For the six months ended June 30	**2016**	2015
Income on accrual risk loans	**$128**	$117
Income on nonaccrual loans	**536**	546
Total income on risk loans	**$664**	$663
Average risk loans	**$48,678**	$52,461

Note: Accruing loans include accrued interest receivable.

We had relationships with two at risk borrowers in which we had commitments to lend additional funds at June 30, 2016. The balance of the unfunded loan commitments were $5.7 million and $2.7 million as of June 30, 2016 and December 31, 2015, respectively.

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 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.

TDR Activity
(in thousands)

Six months ended June 30	**2016**		2015	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$207**	**$209**	$ --	$ --
Production and intermediate term	**--**	**--**	138	139
Other	**28**	**20**	--	--
Total	**$235**	**$229**	$138	$139

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. 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.

The primary type of modification was extension of maturity.

TDRs that Subsequently Defaulted within the Previous 12 Months

(in thousands)	**2016**	2015
Production and intermediate term	**$27**	$22
Other	**107**	--
Total	**$134**	$22

TDRs Outstanding

(in thousands) As of:	**June 30 2016**	December 31 2015
Accrual status:		
Real estate mortgage	**$2,514**	$2,732
Production and intermediate term	**555**	563
Other	**164**	164
Total TDRs in accrual status	**$3,233**	$3,459
Nonaccrual status:		
Real estate mortgage	**$1,016**	$841
Production and intermediate term	**287**	425
Other	**385**	382
Total TDRs in nonaccrual status	**$1,688**	$1,648
Total TDRs status:		
Real estate mortgage	**$3,530**	$3,573
Production and intermediate term	**842**	988
Other	**549**	546
Total TDRs	**$4,921**	$5,107

There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2016.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) Six months ended June 30	**2016**	2015
Balance at beginning of period	**$34,290**	$34,106
Provision for (reversal of) loan losses	**7,518**	(2,477)
Loan recoveries	**406**	343
Loan charge-offs	**(685)**	(966)
Balance at end of period	**$41,529**	$31,006

The allowance for loan losses increased $7.2 million from December 31, 2015 to June 30, 2016. During the first half of 2016, a provision for loan loss of $7.5 million was recorded, which was slightly offset by $279 thousand of net charge-offs. The increase in the allowance for loan losses is primarily due to a large capital markets relationship that was downgraded during the year.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income for the six months ended June 30, 2016 included a provision for credit losses on unfunded loan commitments of $3.0 million. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $5.7 million and $2.7 million as of June 30, 2016 and December 31, 2015, respectively.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $18.5 million at June 30, 2016 and $20.6 million at December 31, 2015. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration. 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.

Additional Investment Securities Information

(dollars in thousands) As of:	**June 30 2016**	December 31 2015
Amortized cost	**$18,467**	$20,587
Unrealized gains	**794**	831
Fair value	**$19,261**	$21,418
Weighted average yield	**1.7%**	1.5%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $162 thousand and $143 thousand for the six months ended June 30, 2016 and 2015, respectively.

NOTE 4: 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 ratios with common equity tier 1, tier 1 and total capital risk-based capital ratios. 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 5: 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.

NOTE 6: 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 June 30, 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 June 30, 2016**				**Six months ended June 30, 2016**
	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Impaired loans	**$ --**	**$8,237**	**$6,701**	**$14,938**	**$1,333**
Acquired property	**--**	**5,052**	**--**	**5,052**	**(32)**

	As of December 31, 2015				Six months ended June 30, 2015
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	$ --	$9,168	$7,665	$16,833	$2,611
Acquired property	--	5,377	--	5,377	147

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.

Acquired property: Represents the fair value and related losses of foreclosed assets 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 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 4, 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.