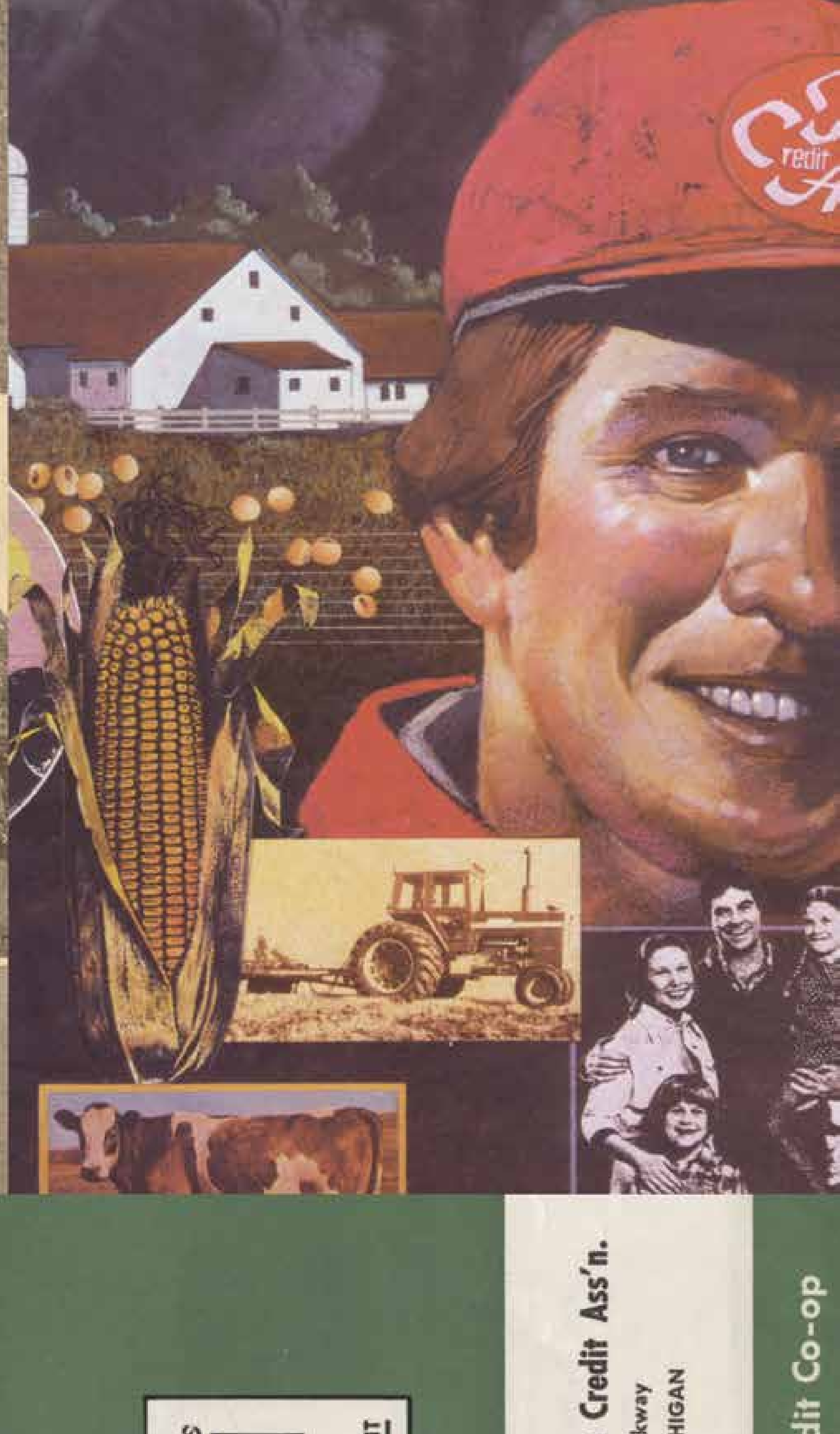
GREENSTONE FARM CREDIT SERVICES

ANNUAL 2015 REPORT

EST. 1916


TRAVERSE
CITY
PRODUCTION
CREDIT
ASSOCIATION
ANNUAL REPORT
FOR YEAR ENDED
DEC. 31, 1936




1956
Annual Report
Production
Credit
Association
The Sign of...
DEPENDABLE CREDIT
Traverse City Production Credit Ass'n.
223 Grandview Parkway
TRAVERSE CITY, MICHIGAN
A Short Term Credit Co-op

2016

LOOKING BACK ON 100 YEARS

MARCH 8, 2016 — MESSAGE FROM THE CEO AND BOARD CHAIR:

AS 2015 FADES INTO HISTORY AND 2016 UNFOLDS, GREENSTONE WILL CELEBRATE ITS CENTENNIAL ANNIVERSARY BEGINNING WITH THE THEME IN THIS YEAR'S ANNUAL REPORT OF "LOOKING BACK, MOVING FORWARD: CELEBRATING 100 YEARS OF GREENSTONE FARM CREDIT SERVICES" AS A WAY TO HIGHLIGHT THIS SIGNIFICANT MILESTONE.

Anniversaries like this are important for us to recognize. We never want to forget where we came from, or our mission to support rural communities and agriculture with reliable, consistent, and responsible credit and financial services. The centennial is an opportunity to recommit ourselves to carry out that mission for the next 100 years.

Agriculture touches every life, every day. For 100 years, GreenStone Farm Credit Services (formerly known as Production Credit Associations and Federal Land Bank Associations) has served as a reliable source of credit and financial services. GreenStone has helped "fuel the engines" of rural communities and agriculture in Michigan and northeast Wisconsin.

As we celebrate our century mark of service, we understand, and must never forget, GreenStone's past, present, and future success directly ties to that of its borrower-owners who take significant financial risk each and every year, working hard to produce the food, fuel, and fiber for a rapidly growing world population. We take great pride in being an integral part of this dynamic industry and celebrating not only our success, but most importantly, the success of those we are here to serve.

The story in this issue about the Chapin family out of Mecosta County, Michigan is a good example of how GreenStone has helped farm families over the years and continues to do so as many prepare to transition to the next generation.

We have also been very committed to supporting organizations, programs, and initiatives dedicated to advancing agriculture—today and tomorrow. From encouraging the next generation of farmers and helping educate consumers about the importance of agriculture, GreenStone's commitment to thriving rural communities extends beyond providing financial services. For example, we have launched the Farm Forward Mentorship program, helping young, beginning, and small farmers sharpen their business acumen to be successful not only today, but for years to come.

We are committed to evolving to meet the ever changing needs of you, our members, as a steady source of funding, day in and day out, regardless of market or industry fluctuations. As the industry continues to grow and change, GreenStone will be there to help rural communities and agriculture thrive for the next 100 years.

2015 YEAR IN REVIEW

Despite a rocky start that included lower earnings in 2014 for most cash grain operations, projected negative margins for 2015, dairy prices tumbling off all-time record highs, and some of the wettest planting conditions in recent memory, 2015 ended better than expected for many of our customers, but not for all.

Ideal growing conditions that developed once the 2015 crop emerged, along with a dry fall, combined to set record yields for many crops in our marketplace from corn and soybeans to sugar beets. The combination of better yields, lower drying costs, and the receipt of Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) payments in the fall for 2014 crops helped to buoy 2015 earnings for most cash grain operations.

Yet, just the opposite was true for most dairy producers. The all-time record high prices for milk in 2014 encouraged robust production worldwide; but a slowing global economy, a strengthening U.S. dollar, and negative producer price premiums in some areas resulted in milk prices that were below the cost of production for many of our dairy farmers, creating financial stress not seen in this industry since 2009.

The balance of our membership that produce other crops such as fruits, vegetables, timber, swine, cattle, and poultry, in general, experienced relatively good margins and with the general economy improving, we continued to see demand for financing by those members who want to purchase land and/or finance their homesteads in the "country."

The net result of all of this for GreenStone was another year of strong performance. Loan growth, on an average daily balance basis, was just over 7.9 percent this year versus 5.0 percent in 2014. Unfortunately, some of the growth was driven from farm customers needing to use their lines of credit to finance working capital shortages, which was relatively rare over the past five years due to higher levels of profitability providing the necessary cash to fund operations. This additional loan volume, coupled with good, yet shrinking, net interest margins, relatively low loan loss provisions, and increases in some of our non-interest income channels, resulted in earnings of $141.1 million, which was slightly below last year's record of nearly $142.8 million. While loan loss provisions were historically low in 2015, they were even lower in 2014. Given the stress that is beginning to surface in some segments of agriculture, provisions were increased which was a primary reason for the difference from last year's record earnings to this year's.

As a result of these earnings, the board voted in December to allocate $35.3 million in cash patronage for 2015, paid to qualifying members on March 23, 2016. This payment is very close to last year's record patronage of $36.2 million, and represents an interest savings on average of 0.5 percent bringing the 11 year total of patronage paid to members to approximately $235.3 million.

While strong financial results are very important, we must always remember the work we do on a daily basis is for, and about, people. GreenStone is proud of its rural community roots and very pleased to be able to give something back to these communities to make a difference beyond being a dependable source of credit. This past year the GreenStone team of employees, now 500 strong, gave time and money to their local communities including a wide array of charities, scores of community, youth, and agricultural organizations. One example of this was the 300 pounds of food grown and donated to the St. Joseph Food Program as part of our partnership with the Wisconsin Timber Rattlers, a minor league baseball team in Appleton, Wisconsin. Yes, while the patronage payment, low interest rates, a dependable source of credit, along with timely, courteous, and competent service are likely the most important things to you on a daily basis, we think being good neighbors and supporting your local community is also very important.

Even though present industry financial outlooks call for many commodities to continue experiencing negative margins in 2016, you can depend on your cooperative to remain financially strong and committed to serving your financial needs in good times and bad. We thank you for placing your trust in us and choosing GreenStone as your financial provider of choice. We wish you the best of success in 2016 and beyond.

Scott A. Roggenbuck
Chairperson of the Board

David B. Armstrong
Chief Executive Officer

2015 FINANCIAL HIGHLIGHTS:

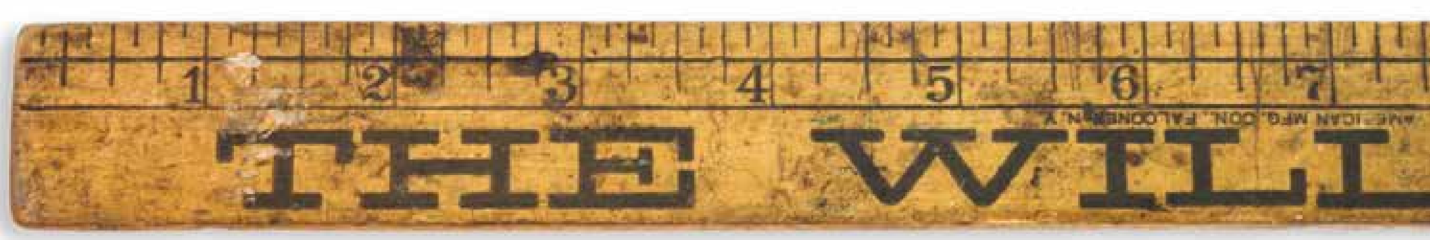
$141.1 MILLION
NET INCOME

NEARLY 24,000
MEMBERS

$7.8 BILLION
TOTAL ASSETS (Owned and Managed)

7.4 PERCENT
TOTAL LOAN GROWTH (Owned and Managed)

$35.3 MILLION
CASH PATRONAGE TO BE PAID IN MARCH 2016



FARM FORWARD MENTORSHIP PROGRAM:

GREENSTONE FARM CREDIT SERVICES LAUNCHED THE FARM FORWARD MENTORSHIP PROGRAM, PAIRING YOUNG AND BEGINNING FARMERS WITH EXPERIENCED MENTORS.

The yearlong program— a hallmark of the association's centennial anniversary—will facilitate conversations and experiences to help propel new farmers forward in their careers, while also giving mentors the satisfaction of teaching the next generation and gaining experience in the art of mentorship.

"We recognize that starting a career in farming can be challenging," said GreenStone President and CEO Dave Armstrong. "Today's farmers are American agriculture's greatest asset. The scope of their knowledge goes far beyond the field."

The program's planning kicked off in 2015, and officially launched for the eight mentor/mentee pairings in early 2016 with a training session in East Lansing. Throughout the year, the program includes several coordinated conversations and site visits to mentor and mentee farms, all designed to foster conversations around business areas the pair have prioritized, some of which will include creating an effective business plan, managing risk, utilizing resources and managing day-to-day operations.

Professional business coaches and mentoring consultants will facilitate the mentorship process and guide the participants throughout the year. Carl Jessen, former GreenStone President and CEO, currently of Jessen Coaching, LLC, and Susan Combs, Coaching & Consulting, LLC, will lead the group through the mentorship program.

"GreenStone is committed to advancing agriculture— today and tomorrow," said Armstrong. "The Farm Forward Mentorship program supports young professionals in agriculture and demonstrates GreenStone's commitment to thriving rural communities extends beyond providing financial products and services."

"THE FARM FORWARD MENTORSHIP PROGRAM SUPPORTS YOUNG PROFESSIONALS IN AGRICULTURE AND DEMONSTRATES GREENSTONE'S COMMITMENT TO THRIVING RURAL COMMUNITIES EXTENDS BEYOND PROVIDING FINANCIAL PRODUCTS AND SERVICES."

Above: Staff of the Southwestern Michigan Production Credit Association commemorate the final stock repayment to the U.S. government on Dec. 31, 1953.

FOUR GENERATIONS OF FARMING:

SAM CHAPIN IS THE FOURTH GENERATION OF HIS FAMILY TO FARM IN MECOSTA COUNTY, MICHIGAN. AFTER ATTENDING CENTRAL MICHIGAN UNIVERSITY, HE AND HIS WIFE, MICAH, RETURNED HOME TO FARM FULL-TIME IN 2008. HE HAS BEEN OFFICIALLY MANAGING CHAPIN FAMILY FARMS, A 690 COW DAIRY FARM IN REMUS, SINCE 2013.

This July, as Farm Credit commemorates its 100th anniversary, the family will host its own centennial celebration to mark the farm's 100th anniversary. The farm's rich history began with William Jehiel Chapin, who first purchased the land in 1911. In 1916 his son, William H. Chapin and his wife, Mabel, started farming the land. A recent graduate of Michigan Agricultural College, now known as Michigan State University, William H. and Mabel lived in a three bedroom logging cabin on the property, raising 12 children—nine boys and three girls. "This was all through the Depression era. It is just amazing to me, thinking about where they came from, what little they had and what they were able to make of it," said Sam.

As the farm grew, so did the family. William H. and Mabel's seventh child, Joel (Sam's grandfather) was born ten years later in 1926, the same year a barn was built on the property. It would be another 20 years before the family was able to build a farm house and move out of the logging cabin. Sam's grandmother, Leona, said that it was William's philosophy that the barn would build the house. "It took Ma 20 years to get her house," she said with a smile. "Mabel was the most perfect person I have ever met," Leona said fondly of her mother-in-law. "She never got riled up about anything, even with nine boys in the house." Leona recalled hearing stories from the 1930s, when times were so tough that Mabel had to trade a crate of eggs for the week's groceries. In better years, whenever Mabel baked bread and made applesauce, she would take it to neighbors and friends, wanting to give to others as much as possible after being unable to do so during the Depression years.

Joel and Leona married on Jan. 1, 1950 and later moved into the farm home to take care of Mabel after William passed away in 1960. Leona, who turned 85 this year, said,"I have always said I was never sorry I married a farmer. My dad was a farmer. I was valedictorian of my class, but there was no money to go on to school, so I didn't even think about that."

Joel and Leona had seven children—six daughters and one son, Sam's father, Douglas. A true farmer's wife, Leona raised her children in addition to maintaining the home and helping out on the farm. "I milked cows, but never when I was pregnant…and I didn't get pregnant on purpose either," she joked. "I worked hard, baled hay and did what needed to be done. If I didn't get housework done at night, Joel would say to the girls, 'I think your mother needs help,' and it didn't take long and the girls were helping around the house."

Douglas may have been the only Chapin son, but it wasn't an automatic conclusion that he would take over the family farm. Leona recalls, "We said, 'you are going to college.' His dad told him he had to go out and then decide what he wanted to do." Douglas attended Michigan State University, where he met his wife, Cheri, a city girl from the Detroit area. The farm was known as J and L Farms throughout the 1970s and into the mid-2000s. Sam's Aunt Janet and her husband, Lyle, managed the farm in partnership with Douglas and their father until his passing in 1988.

Sam recalls doing what most all farm kids do—helping with chores. "We were up at 5 a.m. to feed calves, and back to the house by 6:30 a.m. to get ready for school. Growing up on the farm taught me responsibility and how to balance school work with farm chores. My parents always stressed the importance of our school work, but our responsibilities on the farm were just as important," he said.

"When you are a kid, you don't realize the big picture things that are happening on the farm. You just want to get your chores done and go play. Looking back now, I can't believe my dad put us in charge of feeding calves. It is such an important task on the farm, and dad trusted me and my brother, Ben, to do it."

Left: An aerial view of Chapin Family Farms in the mid-1950's.

Some of Sam's happiest memories growing up include family Christmases at the farm house. "All the aunts, uncles and cousins would be there, and when the house got crowded, us kids would go play King of the Mountain on the straw mow. And you never saw young kids come together with such team work as you did on Christmas morning at our house. We had it all planned out how we could get the morning chores done in record time, and my dad would say, 'Why can't we do it like this every morning," Sam said, laughing. "Now I see our daughters, Melanie and Marian, light up when we tell them the cousins are coming over. We will do our best to raise them the same way we were raised; we try to take them out to the barns, but it is just such a busier place now. They don't have the free reign on the farm that I grew up with," Sam explained.

After high school, Sam earned a degree in business with a minor in finance, and while he had an idea that he would like to farm for a living, he wasn't quite sure at first. His parents insisted he experience life off the farm for a time, and he admits that it wasn't until he left for nearly a year that he realized he truly wanted to farm full-time. They started with a three year trial period to make sure it was really what Sam wanted to do. "My dad said I could do whatever I wanted. He wanted to make sure that we had time to decide if this was really what Micah and I wanted for our life," said Sam.

It turns out that life on the farm is a perfect fit for Sam, Micah and their two young daughters. "My dad told me that farming can be a great life, but I needed to be prepared for ups and downs," Sam said. "I thought I could apply my business degree to the farm, but what worried me was not having formal training in agriculture like my dad did." His father assured him that much of what he needed, he already knew and what he didn't could be learned along the way. "We have an agronomist and nutritionist, and I've learned a lot by working with good people," said Sam.

The farm became Chapin Family Farms in 2007, after Janet and Lyle retired. Since then, Sam and his father have been very progressive in their pursuit of expansion. "My dad has always been able to see opportunity, and he knew that by growing the farm, it would bring more opportunity for the next generation." After working with a community bank for several years, Sam's family transferred their business to GreenStone. "Once we were officially Chapin Family Farms, the first order of business was to build a new barn. We added a 12x12 parallel parlor with a new hospital barn and small fresh cow pen." Financial services officer Dave McKenny has worked with the family to build the business and plan for the future. "Sam is an incredibly hard working young man," said Dave. "He is also very thoughtful in his planning for the future of Chapin Family Farms."

Sam says the most logical next step would be to add another 100 cows, but that addition would also require more storage for feed and manure, so it is something he is considering carefully. "After that, the next big step would be to expand the parlor, but it is hard to think about that right now with everything we have done recently," said Sam.

As Sam has assumed more responsibility, it has taken some of the toll off his father, but that doesn't stop him from still waking up at 4:30 a.m. to head out to the barn. Sam says his father feels there is nothing better than being out there when it is quiet and he can just look at the cows. "Once 8 a.m. rolls around, the phone is ringing off the hook and you are trying to direct people here and there. There is no peace like an early morning in the barn."

Over the last several years, Sam admits he has grown as a leader, and has learned patience from his dad. As he looks to the future, he relies on the lessons learned from his family to guide his decisions going forward. "I put my dad on a pedestal; he is exactly what I want to be as a farmer. He has tried to teach me and put me in a position to make this farm successful so we can continue our family legacy for future generations."

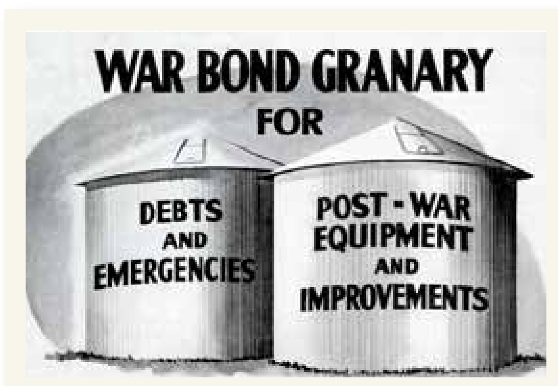
100 YEARS OF PROGRESS:

July 17, 1916-
President Woodrow Wilson signs legislation creating the Federal Land Bank System. The first loan is made less than a year later.

December 4, 1953-
The Farm Credit Act of 1953 makes the Farm Credit Administration an agency of the executive branch and sets the System on a path toward independence.

1916

March 4, 1923-
The Agricultural Credits Act of 1923 extends service and provides short-term and intermediate operating credit, while the System strengthens its funding capability.



December 10, 1941-
Three days after the attack on Pearl Harbor, officials of the Banks for Cooperatives meet in Washington, D.C., to set new priorities. The entire Farm Credit System prepares to fight inflation and feed a nation at war.

December 24, 1980-
The Farm Credit Act Amendments of 1980 expand the System's lending authority, provide for the creation of Service Organizations and recognize the System's commitment to young, beginning, and small farmers.

January 1, 2003-
Farm Credit Services of Northeast Wisconsin, which includes Michigan's upper peninsula, merges with GreenStone.

June 10, 2005-
Twenty years after the peak of the Farm Crisis, the System repays the last of the federal capital provided during the emergency, returning to fully borrower-owned status.

2016

March 27, 1967-
The Federal Land bank celebrates its 50th Anniversary and marked the occasion by burying a time capsule in Larned, KS, where the first loan was made in 1917.

GreenStone FARM CREDIT SERVICES

January 1, 2000-
Michigan's lower peninsula Farm Credit Associations finalize the merger process, becoming GreenStone Farm Credit Services.

July 17, 2016-
Farm Credit will celebrate the 100th anniversary of the cooperative.

2015 FINANCIALS

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 contact us at:

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com
Travis.Jones@greenstonefcs.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.agribank.com
financialreporting@agribank.com

Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports contact us as stated above.

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

GREENSTONE FARM CREDIT SERVICES, ACA
(Dollars in thousands)

	2015	2014	2013	2012	2011
STATEMENT OF CONDITION DATA					
Loans	$7,292,647	$6,721,782	$6,249,883	$5,726,832	$5,181,888
Allowance for loan losses	34,290	34,106	38,772	41,964	49,771
Net loans	7,258,357	6,687,676	6,211,111	5,684,868	5,132,117
Investment in AgriBank, FCB	111,217	103,368	157,945	151,615	145,621
Investment securities	20,587	25,661	32,233	40,757	33,820
Acquired property	2,440	1,904	12,751	31,928	62,172
Other assets	134,039	127,727	127,174	118,901	115,015
Total assets	$7,526,640	$6,946,336	$6,541,214	$6,028,069	$5,488,745
Obligations with maturities of one year or less	$6,157,517	$5,683,362	$5,385,302	$75,392	$4,540,728
Obligations with maturities greater than one year	—	—	—	4,903,770	—
Total liabilities	6,157,517	5,683,362	5,385,302	4,979,162	4,540,728
Protected members' equity	2	2	3	3	4
Capital stock and participation certificates	21,436	21,105	20,614	19,742	18,512
Unallocated surplus	1,347,685	1,241,867	1,135,295	1,029,162	929,501
Total members' equity	1,369,123	1,262,974	1,155,912	1,048,907	948,017
Total liabilities and members' equity	$7,526,640	$6,946,336	$6,541,214	$6,028,069	$5,488,745
STATEMENT OF INCOME DATA					
Net interest income	$181,169	$173,768	$168,525	$155,630	$149,759
(Provision for) reversal of credit losses	(3,273)	2,689	3,947	(10,045)	(16,490)
Patronage income	23,433	27,964	29,017	26,005	23,889
Financially related services income	9,514	8,745	7,442	9,665	9,048
Fee income	13,572	12,998	16,145	16,876	13,281
Other income (loss), net	1,021	4,035	(6,686)	(3,797)	1,055
Operating expenses	(85,570)	(79,524)	(79,114)	(70,748)	(65,965)
Benefit from (provision for) income taxes	1,221	(7,918)	(4,166)	2,571	1,990
Net income	$141,087	$142,757	$135,110	$126,157	$116,567
KEY FINANCIAL RATIOS					
Return on average assets	2.0%	2.2%	2.2%	2.2%	2.2%
Return on average members' equity	10.7%	11.7%	12.2%	12.5%	12.9%
Net interest income as a percentage of average earning assets	2.7%	2.8%	2.9%	2.9%	3.0%
Members' equity as a percentage of total assets	18.2%	18.2%	17.7%	17.4%	17.3%
Net (recoveries) charge-offs as a percentage of average loans	—	—	(0.1%)	0.3%	0.2%
Allowance for loan losses as a percentage of loans	0.5%	0.5%	0.6%	0.7%	1.0%
Permanent capital ratio	16.0%	16.2%	14.7%	14.6%	14.5%
Total surplus ratio	15.8%	15.9%	14.3%	14.3%	14.1%
Core surplus ratio	15.8%	15.9%	14.3%	14.3%	14.1%
OTHER					
Patronage distribution payable to members	$35,272	$36,200	$29,000	$26,495	$23,313

The patronage distribution to members accrued for the year ended December 31, 2015 will be distributed in cash during the first quarter of 2016. The patronage distributions accrued for the years ended December 31, 2014, 2013, 2012, and 2011 were distributed in cash during the first quarter of each subsequent year. No income was distributed to members in the form of dividends, stock, or allocated surplus during these periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREENSTONE FARM CREDIT SERVICES, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (subsidiaries) and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2016, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and seventy-four customer-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System bank, and its affiliated Associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). GreenStone Farm Credit Services, ACA is one of the affiliated Associations in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par or stated value.

Forward-Looking Information

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", "could", "should", "will", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. These risks and uncertainties include, but are not limited to:

- Political, legal, regulatory, financial markets, international, and economic conditions and developments in the United States (U.S.) and abroad
- Economic fluctuations in the agricultural and farm-related business sectors
- Unfavorable weather, disease, and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency actions relating to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Changes in our assumptions for determining the allowance for loan losses, other-than-temporary impairment, and fair value measurements

Agricultural and Economic Conditions

Across nearly all measures, farm sector profitability is forecast to decline for the second straight year. The United States Department of Agriculture (USDA) is forecasting net cash income at $93 billion for 2015, down about 28% from 2014 levels. Lower crop and livestock receipts are the main drivers of the change in 2015 net cash farm income from 2014, while cash production expenses are projected down by 2.3%. Net farm income is forecast to be $55.9 billion in 2015, down 38% from 2014's estimate of $90.4 billion. The 2015 forecast for net farm income would be the lowest since 2002 in inflation-adjusted terms and a drop of nearly 55% from the record high of $123.3 billion in 2013. Net farm income reflects only earnings from current calendar year production.

When final 2015 statistics are announced, crop cash receipts are expected to fall 8.7%, led by broad declines for many field crops. Corn cash receipts are expected to decline the most, falling by $8.6 billion in 2015. Cash receipts for soybeans and wheat are also expected to decline from 2014 on quantity and price forecasts that fall by $5.7 billion and $2.7 billion, respectively. Fruit and vegetable industries felt downward pricing pressures in 2015 as well.

Animal and animal product cash receipts are expected to fall just over 12% in 2015. Much of the decline is due to falling dairy and hog receipts. After reaching a record high of $49.3 billion in 2014, milk receipts are expected to drop 28.2% in 2015 as declining prices more than offset a small expected increase in milk production. Hog production is expected to rise in 2015 as the industry recovers from the porcine epidemic virus (PEDv). However, average hog prices are expected to drop sharply. Poultry and egg receipts are expected to be broadly affected by the highly pathogenic avian influenza (HPAI) in 2015, although impacts are mixed. Since first being detected in December 2014, HPAI has claimed 48.1 million birds, with turkeys and egg laying chickens most vulnerable. Both turkey and egg laying chicken quantities are forecast to decline and place upward pressure on prices. In contrast, U.S. broiler production is expected to increase in 2015. The increase in broiler production—coupled with HPAI-related import bans on U.S. poultry by some nations—has increased supply in the U.S. market, leading broiler prices sharply lower.

The U.S. economy expanded 0.7% in the fourth quarter according to the Bureau of Economic Analysis's advance estimate. The fourth quarter increase in real Gross Domestic Product (GDP) mainly reflected positive contributions from personal consumption, residential fixed investment and federal government spending. These contributions to real GDP growth were partly offset by declines in private inventory investment, exports, and non-residential fixed investment. Also, imports, a subtraction in the calculation of GDP, increased.

Purchases of new homes rose 14.5% in 2015 to 501 thousand. Sales of existing homes rose 6.7% in 2015 to 5.3 million units. The outlook for housing is positive but not robust. Local housing data shows improvement for both Michigan and Wisconsin. Building permits for single family homes measured by the National Association of Home Builders were up 8% year over year in Michigan and 21% in Wisconsin. Both the Michigan and the Wisconsin economies are reporting year over year growth in nonfarm payrolls. As of November 30, 2015, approximately 73 thousand and 31 thousand jobs have been added in Michigan and Wisconsin, respectively.

In December 2015, the Federal Open Market Committee (FOMC) raised the fed funds rate target range to 0.25-0.50% with the additional guidance that both the pace and magnitude of future rate increases will be data dependent. The Committee's projections indicated that the pace of future rate increases will likely run below that of previous tightening cycles. The Committee's median estimate for the benchmark rate at the end of 2016 was held at 1.375%. For 2017, the median estimate of the funds rate came in at 2.375%, with the longer-run funds rate estimated at 3.50%. The FOMC again lowered its expectations for inflation in 2016, with core inflation not returning to 2.0% until 2018. Low inflation expectations reflect lower commodity prices and competition from globalization. Offsetting lower expectations for the year ahead was an uptick in the expected rate of GDP growth and a slightly faster decline in the unemployment rate.

Following a China buying bubble and return to slower future growth, the global market for milk products is currently in an oversupply situation. In the first half of the year, China dairy imports on a milk-equivalent basis were down 35% from last year, resulting in 2.7 million tons of excess production relative to demand. Milk production has not yet responded to lower commodity prices. Production in the United States and Europe continues to expand and stocks in both regions are growing. Conditions for U.S. exporters will remain especially challenging. In addition to heavy competition brought on by excess supply, U.S. exporters are disadvantaged by a U.S. dollar that has strengthened across the board against the major currencies of the world. The all-milk price forecast for the fourth quarter of 2015 was $17.70-$17.90 per cwt. For 2016, the milk production forecast has been lowered by 0.5 billion pounds. Export forecasts for 2016 have been lowered by 0.4 billion pounds on a milk-fat milk-equivalent basis and by 0.8 billion pounds on a skim-solids milk-equivalent basis. The all-milk price forecast for 2016 is $15.95-$16.75 per cwt.

Year over year growth in pork production is expected to be about 6% as of the fourth quarter of 2015 and over 3% higher than the same period of 2013. Hog prices are responding to larger product supplies and sluggish foreign demand for U.S. pork. Fourth quarter prices of live equivalent 51-52% lean hogs likely finished at $45-$46 per cwt, more than 30% below prices last year when PEDv had reduced hog supplies. USDA prices and futures prices suggest that the spread between hog prices and feed costs remains positive. The USDA's income over feed estimate for hogs indicates positive spreads for each quarter of 2015, although second half values were below those of 2013.

Strong production has increased stocks of broiler meat by 32% as of the fourth quarter of 2015 compared to the previous year since exports are weaker due to trade restrictions related to HPAI and a stronger dollar. Exports are forecast to improve in 2016, and USDA forecasts that stocks will decline gradually to 690 million pounds by the end of 2016. Currently, high stock levels are reflected in weak and declining prices for most chicken parts. The national composite price for whole bird broilers increased 11% during the 4 weeks prior to December 2015, leading USDA to raise its fourth quarter forecast to 74-75 cents per pound. With 2016 forecasts of more exports and fewer stocks, USDA forecasts a steady increase in the national composite broiler price to 85-93 cents per pound by third quarter 2016. However, the time required for prices to recover has lowered producer margins, and the USDA has revised down its 2016 production forecast by 75 million pounds.

Exports remain vulnerable to the dollar's strengthening trend and the weak position of U.S. trading partners. Exports declined 7.1% in November compared to 2014, following a 5.1% decline in the third quarter of 2015 compared to 2014. These preliminary signals suggest that net exports will be a drag on fourth quarter GDP growth. The USDA's 2015 forecast for grain and feed exports has risen to $31.3 billion dollars, up $800 million from previous estimates. Fiscal 2015 livestock, poultry, and dairy export value is lowered $1.5 billion to $29.8 billion due to declines in poultry products, dairy products, and beef. Dairy is down $400 million as U.S. cheese, nonfat dry milk, and whey face strong competition and low prices in a weak world market. Beef is lowered $300 million as demand remains weak in principal U.S. markets including Canada, Mexico, and Japan. Pork is unchanged while poultry products are lowered $600 million, as lower prices for broiler meat offset a small rise in volumes. Fiscal 2016 agricultural exports are forecast at $131.5 billion, $8.2 billion below final fiscal 2015 exports. Most of the decline is accounted for by lower prices, strong competition, and diminishing Chinese demand. Grain and feed exports are forecast down $3.8 billion. Oilseed exports are forecast down $400 million in response to lower soybean and product prices. The forecast for livestock, poultry, and dairy is lowered $2.2 billion, largely due to depressed prices for beef and pork spurred by increased supplies.

The market for farmland values is behaving rationally in response to declining commodity prices. Sale prices in lower quality cropping areas have contracted from market highs in 2014. Meanwhile, areas with high quality soil profiles dominated by cash grain and strong operations have demonstrated slower valuation increases over the past year. Land values in areas influenced by large dairy operations have continued to increase, but at a much slower pace. The cumulative effect of reduced grain prices over the past two years and the severe correction in dairy prices in 2015 is expected to work its way through crop land rental rates and land values with potential decreases in values during 2016. Overall, we feel most loans will remain adequately collateralized during 2016 as the value of assets adjusts to current market conditions. The anticipated decline in collateral values is being taken into account in our evaluation of what is a reasoned level of allowance for loan losses.

Loan Portfolio

Total loans were $7.3 billion at December 31, 2015, an increase of $570.9 million from December 31, 2014. The components of total loans for the prior three years were as follows (in thousands):

As of December 31	2015	2014	2013
Accrual loans:			
Real estate mortgage	$4,322,681	$3,958,382	$3,677,607
Production and intermediate term	2,160,692	2,031,889	1,913,622
Agribusiness	445,927	371,514	282,841
Other	321,393	312,444	317,928
Nonaccrual loans	41,954	47,553	57,885
Total loans	$7,292,647	$6,721,782	$6,249,883

The other category is primarily comprised of rural residential real estate, communication, and energy related loans as well as loans originated under our mission related investment authority.

As part of the AgriBank Asset Pool program (managed loans), we have sold participation interests in real estate loans to AgriBank. Our total participation interests in this program were $256.9 million, $305.9 million, and $353.0 million at December 31, 2015, 2014, and 2013, respectively.

Our growth in owned and managed loans for 2015 was 7.4%. This level of growth is slightly higher than the 6.4% growth rate experienced in 2014. Growth in all of our market segments was positively impacted by continued historically low interest rates in both 2015 and 2014. Owned and managed mortgage volume increased 7.9% over December 2014. The year end commercial loan volume increased 6.3% when compared to December 2014. Loan growth was solid in all market segments as our three major segments each exceeded 3.5% growth. Our Traditional Farm segment, including our large commercial loans, grew 6.9% in 2015 compared to 7.6% in 2014. The Capital Markets segment experienced a 16.1% growth rate in 2015 as compared to 11.5% growth rate in 2014. Our AgriConsumer segment market demand slowed slightly due to additional competitive pressure resulting in an asset growth rate of 3.6% compared to 4.0% in 2014. This is partially reflective of the improving economic conditions in our marketplace where more lenders are expanding their lending.

The outlook for overall portfolio growth for 2016 will have similar challenges as our experience in 2015. Increased competitive pressure is expected to create additional challenges to our growth in the Capital Markets and Commercial Producers segments. New entrants into the agricultural lending market will continue to put pressure on our growth level and returns in these segments. We expect moderate demand for expansion capital in dairy and some animal protein sectors during 2016. The level of this demand will depend on the expected profit margins in these segments which look challenged today due to lower market prices. We continue to see land values reaching plateaus in our regions. The general non-farm economic weakness that has been in place in our territory for the last several years is slowly giving way to improvement. This should provide further opportunities in the AgriConsumer segment, which is seeing high levels of competition with regard to pricing and new competitors continuing to reach the rural segment. Overall, we expect all market segments to show positive growth in 2016, with the Commercial Producers and Capital Market segments providing the highest growth rates. However, we also expect to see continuing loan pricing pressure within all market segments.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs and fixed interest rate lease programs to our borrowers. We determine interest margins charged on each lending program based on cost of funds, market conditions, and the need to generate sufficient earnings.

PORTFOLIO DISTRIBUTION

We are chartered to operate throughout Michigan and in certain counties in Wisconsin. Our portfolio is fairly evenly distributed among the territory with no material concentrations in any one county. This is evidenced by there being no individual county representing greater than 5.0% of our total loan volume at December 31, 2015.

Agricultural concentrations exceeding 5.0% of our portfolio at December 31, 2015 included: dairy 23.1%, cash crops 22.5%, and country home living 16.8%. Additional commodity concentration information is included in Note 3 to the accompanying Consolidated Financial Statements.

Our level of portfolio diversification has not changed materially over the last year and continues to be one of our portfolio strengths. Due mainly to our diversity in commodities and the varied operating cycles that those commodities experience, our commercial volume levels do not show significant levels of seasonality.

PORTFOLIO CREDIT QUALITY

The credit quality of our portfolio remained stable throughout 2015. Adversely classified owned assets decreased from 1.6% of the portfolio at December 31, 2014 to 1.4% of the portfolio at December 31, 2015. Adversely classified assets are assets that we have identified as showing some credit weakness outside normal credit standards. 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 2015. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, resulted in an adverse asset to risk funds ratio of 8.3% at December 31, 2015. This is an improvement over last year of 9.4% and the high water mark of 61.5% in October of 2009, as well as below our goal of maintaining this ratio at or below 25.0%. This ratio is a good measure of the association's risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. As of December 31, 2015, $254.9 million of our loans were, to some level, guaranteed under these programs.

RISK ASSETS

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

As of December 31	2015	2014	2013
Loans:			
Nonaccrual	$41,954	$47,553	$57,885
Accruing restructured	3,459	3,173	1,923
Accruing loans 90 days or more past due	34	—	—
Total risk loans	45,447	50,726	59,808
Acquired property	2,440	1,904	12,751
Total risk assets	$47,887	$52,630	$72,559
Total risk loans as a percentage of total loans	0.6%	0.7%	1.0%
Nonaccrual loans as a percentage of total loans	0.6%	0.7%	0.9%
Total delinquencies as a percentage of total loans	0.3%	0.3%	0.6%

Our risk assets have decreased from December 31, 2014 and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

The $5.6 million decrease in nonaccrual volume from December 31, 2014 was primarily due to paydowns and improved credit quality. As of December 31, 2015, 44.2% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 17.9% part-time farmers, and 17.7% general crop and livestock farms. At December 31, 2015, 78.6% of our nonaccrual loans were current in their payment status.

Accruing restructured loans increased slightly during 2015 from $3.2 million as of December 31, 2014 to $ 3.5 million as of December 31, 2015. At December 31, 2015, 94.5% of our accruing restructured loans were current in their payment status.

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

Acquired property inventory increased slightly from $1.9 million as of December 31, 2014 to $2.4 million as of December 31, 2015. The increase was primarily due to $2.6 million of gross loans transferred in, which were partially offset by $1.8 million of properties sold.

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 the 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 December 31	2015	2014	2013
Allowance as a percentage of:			
Loans	0.5%	0.5%	0.6%
Nonaccrual loans	81.7%	71.7%	67.0%
Total risk loans	75.5%	67.2%	64.8%
Net (recoveries) charge-offs as a percentage of average loans	—	—	(0.1%)
Adverse assets to risk funds	8.3%	9.4%	18.7%

The allowance for loan losses increased $184 thousand from December 31, 2014 to December 31, 2015. During 2015, a provision for loan loss of $2.6 million was recorded, which was partially offset by $2.5 million of net charge-offs. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2015.

Additional loan information is included in Notes 3, 11, 12, and 13 to the accompanying Consolidated Financial Statements.

Investment Securities

In addition to loans, we hold investment securities. Investments include our share of securities made up of loans guaranteed by the Small Business Administration. Investment securities totaled $20.6 million, $25.7 million, and $32.2 million at December 31, 2015, 2014, and 2013, respectively. 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 is included in Note 5 to the accompanying Consolidated Financial Statements.

Results of Operations

Profitability Information

(dollars in thousands)

For the year ended December 31	2015	2014	2013
Net income	$141,087	$142,757	$135,110
Return on average assets	2.0%	2.2%	2.2%
Return on average members' equity	10.7%	11.7%	12.2%

Changes in these ratios relate directly to:

- Changes in income as discussed in the following section
- Changes in assets as discussed in the Loan Portfolio and Investment Securities sections
- Changes in members' equity as discussed in the Capital Adequacy section

Significant Components of Net Income

(in thousands)

For the year ended December 31	2015	2014	2013
Net interest income	$181,169	$173,768	$168,525
(Provision for) reversal of credit losses	(3,273)	2,689	3,947
Patronage income	23,433	27,964	29,017
Financially related services income	9,514	8,745	7,442
Fee income	13,572	12,998	16,145
Acquired property net income (loss)	267	3,485	(7,828)
Miscellaneous income, net	754	550	1,142
Operating expenses	(85,570)	(79,524)	(79,114)
Benefit from (provision for) income taxes	1,221	(7,918)	(4,166)
Net income	$141,087	$142,757	$135,110

Changes in Significant Components of Net Income

(in thousands)

Increase (decrease) in net income	2015 vs. 2014	2014 vs. 2013
Net interest income	$7,401	$5,243
(Provision for) reversal of credit losses	(5,962)	(1,258)
Patronage income	(4,531)	(1,053)
Financially related services income	769	1,303
Fee income	574	(3,147)
Acquired property net income (loss)	(3,218)	11,313
Miscellaneous income, net	204	(592)
Operating expenses	(6,046)	(410)
Benefit from (provision for) income taxes	9,139	(3,752)
Total change in net income	$(1,670)	$7,647

NET INTEREST INCOME

Changes in Net Interest Income

(in thousands)

	2015 vs. 2014	2014 vs. 2013
Changes in volume	$16,439	$12,671
Changes in interest rates	(8,994)	(8,680)
Changes in nonaccrual income and other	(44)	1,252
Net change	$7,401	$5,243

Net interest income included income on nonaccrual loans that totaled $1.4 million, $2.1 million, and $1.2 million in 2015, 2014, and 2013, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.7%, 2.8%, and 2.9% in 2015, 2014, and 2013, respectively. We expect margins to compress in the future if interest rates rise and competition increases.

PROVISION FOR (REVERSAL OF) CREDIT LOSSES

The recorded provision for loan losses during 2015 of $2.6 million was primarily due to added risk in our loan portfolio related to lower grain and milk prices, which was partially offset by improved credit quality. In addition, a $631 thousand credit loss provision was recorded on unfunded loan commitments resulting in a total net provision of $3.3 million. Additional discussion is included in Note 3 to the accompanying Consolidated Financial Statements.

PATRONAGE INCOME

We received patronage income based on the average balance of our note payable to AgriBank. The patronage rates were 26.0 basis points, 33.5 basis points, and 34.5 basis points in 2015, 2014, and 2013, respectively. We recorded patronage income of $14.6 million, $17.2 million, and $17.2 million in 2015, 2014, and 2013, respectively.

Since 2008, we have participated in the AgriBank Asset Pool program in which we sell participation interests in certain real estate loans to AgriBank. As part of this program, we received patronage income in an amount that approximated the net earnings of the loans. Net earnings represents the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable. In addition, we received patronage income in an amount that approximated the wholesale patronage had we retained the volume. We recorded asset pool patronage income of $6.4 million, $8.3 million, and $10.5 million in 2015, 2014, and 2013, respectively.

We also received a partnership distribution resulting from our participation in the AgDirect trade credit financing program. The program is facilitated by another AgriBank District association through a limited liability partnership (AgDirect, LLP), in which we are a partial owner. AgriBank purchases a 100% participation interest in the program loans from AgDirect, LLP. Patronage distributions are paid to AgDirect, LLP, which in turn pays partnership distributions to the participating associations. We receive a partnership distribution in an amount that approximates our share of the net earnings of the loans in the program, adjusted for required return on capital and servicing and origination fees. We received a partnership distribution of $2.4 million, $2.4 million, and $1.3 million in 2015, 2014, and 2013, respectively.

Patronage distributions for the programs discussed above are declared solely at the discretion of AgriBank's Board of Directors.

NON-INTEREST INCOME

The change in non-interest income was primarily due to the previously discussed change in patronage income and a decrease in acquired property net income. The decrease in acquired property net income was primarily due to the gain on a sale of a large timber property of $3.2 million recorded in 2014.

OPERATING EXPENSES

Components of Operating Expenses
(dollars in thousands)

For the year ended December 31	2015	2014	2013
Salaries and employee benefits	$56,391	$51,320	$52,816
Purchased and vendor services	3,080	3,641	3,624
Communications	1,418	1,515	1,500
Occupancy and equipment	7,452	7,454	7,156
Advertising and promotion	2,545	2,542	2,290
Examination	1,526	1,438	1,353
Farm Credit System insurance	7,443	6,244	4,949
Other	5,715	5,370	5,426
Total operating expenses	$85,570	$79,524	$79,114
Operating rate	1.3%	1.3%	1.3%

The increase in operating expenses from 2014 to 2015 was primarily related to increases in salaries and employee benefits and in the rate for FCSIC premiums. FCSIC insurance expense increased in 2015, primarily due to loan growth and an increase in the premium rate charged on accrual loans by FCSIC from 12 basis points in 2014 to 13 basis points in 2015. The Insurance Corporation has announced premiums will increase to 16 basis points for the first half and 18 basis points for the second half of 2016.

(BENEFIT FROM) PROVISION FOR INCOME TAXES

The variance in (benefit from) provision for income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2015, 2014, and 2013.

Funding and Liquidity

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 7 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2015, we had $915.6 million available under our line of credit. We generally apply excess cash to this line of credit.

Note Payable Information
(dollars in thousands)

For the year ended December 31	2015	2014	2013
Average balance	$5,602,093	$5,144,589	$4,974,420
Average interest rate	1.7%	1.6%	1.5%

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. Our other source of lendable funds is from unallocated surplus.

We have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $9.5 million, $10.1 million, and $11.0 million at December 31, 2015, 2014, and 2013, respectively. We paid Farmer Mac commitment fees totaling $51 thousand, $55 thousand, and $59 thousand in 2015, 2014, and 2013, respectively. These amounts are included in "Other operating expenses" in the Consolidated Statements of Income. As of December 31, 2015, no loans have been sold to Farmer Mac under this agreement.

Capital Adequacy

Total members' equity increased $106.1 million from December 31, 2014, primarily due to net income for the year partially offset by patronage distribution accruals.

Members' Equity Position Information
(dollars in thousands)

As of December 31	2015	2014	2013	Regulatory Minimums
Members' equity	$1,369,123	$1,262,974	$1,155,912	
Surplus as a percentage of members' equity	98.4%	98.3%	98.2%	
Permanent capital ratio	16.0%	16.2%	14.7%	7.0%
Total surplus ratio	15.8%	15.9%	14.3%	7.0%
Core surplus ratio	15.8%	15.9%	14.3%	3.5%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses, which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Additional discussion of these regulatory ratios is included in the Regulatory Matters section and in Note 8 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum permanent capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2015, our optimum permanent capital target range was 13% to 18%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio and the Investment Securities sections for further discussion of the changes in assets. Additional members' equity information is included in Note 8 to the accompanying Consolidated Financial Statements.

Relationship with AgriBank

BORROWING

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 7 to the accompanying Consolidated Financial Statements, governs this lending relationship.

Cost of funds under the GFA 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, in the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily includes market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk.

INVESTMENT

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2015, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. Prior to March 31, 2014, the required investment was equal to 2.5% plus an additional 1.0% on growth that exceeded a targeted rate. AgriBank's current bylaws allow AgriBank to increase the required investment to 4.0%. However, AgriBank currently has not communicated a plan to increase the required investment. Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million. In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment.

In addition, we are required to hold AgriBank stock equal to 8.0% of the quarter end balance in the AgriBank Asset Pool program as discussed in the Loan Portfolio section.

At December 31, 2015, $73.7 million of our investment in AgriBank consisted of stock representing distributed AgriBank surplus and $37.5 million consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

As an AgDirect, LLP partnering association, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank. Specifically, the AgDirect trade credit financing program is required to own stock in AgriBank in the amount of 6.0% of the AgDirect program's outstanding participation loan balance at quarter end plus 6.0% of the expected balance to be originated during the following quarter.

PATRONAGE

We receive different types of discretionary patronage from AgriBank. AgriBank's Board of Directors sets the level of:

- Patronage on the annual average daily balance of our note payable with AgriBank
- Patronage based on the balance and net earnings of loans in the AgriBank Asset Pool program
- Partnership distribution based on our share of the net earnings of the loans in the AgDirect trade credit financing program, adjusted for required return on capital and servicing and origination fees

Beginning in 2014, patronage income earned on our note payable with AgriBank is paid in cash. All patronage income earned as part of the AgriBank Asset Pool program is paid in cash. Patronage income for 2013 on our note payable with AgriBank was paid in the form of cash and AgriBank stock.

PURCHASED SERVICES

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, and insurance services.

The total cost of services we purchased from AgriBank was $1.8 million in 2015, 2014, and 2013.

IMPACT ON MEMBERS' INVESTMENT

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of the AgriBank and the combined AgriBank and affiliated Associations' financial reports contact us at:

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Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports contact us as stated above.

Other Relationships and Programs

RELATIONSHIPS WITH OTHER FARM CREDIT INSTITUTIONS

ProPartners Financial: We participate in ProPartners Financial (ProPartners) alliance with certain other associations in the Farm Credit System to provide producer financing for agribusiness companies. ProPartners is directed by representatives from participating associations. The income, expense, and credit risks are allocated based on each association's participation interest of the ProPartners volume. Each association's allocation was established according to a prescribed formula which included risk funds of the associations. We had $162.5 million, $171.4 million, and $150.3 million of ProPartners volume at December 31, 2015, 2014, and 2013, respectively. We also had $232.9 million of available commitment on ProPartners loans at December 31, 2015.

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows us to sell loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion of this agreement.

BGM Technology Collaboration: We participate in the BGM Technology Collaboration (BGM) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. BGM operations are governed by representatives of each participating association. The expenses of BGM are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

As the facilitating association, we provide various support functions for the operations of BGM. This includes support for technology, human resources, accounting, payroll, reporting, and other finance functions.

Farm Credit Leasing: We have a relationship with Farm Credit Leasing (FCL), a System entity specializing in leasing products and providing industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in some of the cash flows of the transactions.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $80 thousand, $48 thousand, and $30 thousand at December 31, 2015, 2014, and 2013, respectively. CoBank provides direct loan funds to associations in its chartered territory and makes loans to cooperatives and other eligible borrowers.

Farm Credit Services of America, ACA: We have a relationship with Farm Credit Services of America, ACA (FCS of America), an AgriBank District association, which involves purchasing or selling participation interests in loans. As part of this relationship, our equity investment in FCS of America was $1 thousand at December 31, 2015, 2014, and 2013.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations) which involves purchasing human resource information systems, benefit, payroll, and workforce management services. As of December 31, 2015, 2014, and 2013, our investment in Foundations was $59 thousand. The total cost of services we purchased from Foundations was $258 thousand, $234 thousand, and $226 thousand in 2015, 2014, and 2013, respectively.

UNINCORPORATED BUSINESS ENTITY (UBE)

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $16.8 million, $17.3 million, and $16.4 million at December 31, 2015, 2014, and 2013, respectively.

PROGRAMS

We are involved in a number of programs designed to improve our credit delivery, related services, and marketplace presence.

Equipment Financing: We have entered into agreements with certain dealer networks to provide alternative service delivery channels to borrowers. These trade credit opportunities create more flexible and accessible financing options to borrowers through dealer point-of-purchase financing programs.

We participate in the AgDirect trade credit financing program. Refer to the UBE section for further discussion on this program.

AgriSolutions: We have an alliance with AgriSolutions, a farm software and consulting company, to provide farm records, income tax planning and preparation services, farm business consulting, and producer education seminars.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

Regulatory Matters

On May 8, 2014, the FCA Board approved a proposed rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the proposed 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 most recent comment period closed July 10, 2015. The initial comment period on the proposed rule, after extension, closed February 16, 2015.

On June 12, 2014, the FCA Board approved a proposed rule to revise the requirements governing the eligibility of investments for System Banks and Associations. The stated objectives of the proposed rule are to:

- Strengthen the safety and soundness of System Banks and Associations
- Ensure that System Banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption
- Enhance the ability of the System Banks to supply credit to agricultural and aquatic producers
- Comply with the requirements of section 939A of the Dodd-Frank Act
- Modernize the investment eligibility criteria for System Banks
- Revise the investment regulation for System Associations to improve their investment management practices so they are more resilient to risk

The public comment period ended on October 23, 2014.

REPORT OF MANAGEMENT

GREENSTONE FARM CREDIT SERVICES, ACA

We prepare the Consolidated Financial Statements of GreenStone Farm Credit Services, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. They also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared 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

March 8, 2016

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

GREENSTONE FARM CREDIT SERVICES, ACA

The GreenStone Farm Credit Services, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2015. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2015, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2015.

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

March 8, 2016

REPORT OF AUDIT COMMITTEE

GREENSTONE FARM CREDIT SERVICES, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of GreenStone Farm Credit Services, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2015, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2015.

Eugene B. College
Chair of the Audit Committee
GreenStone Farm Credit Services, ACA

Christine M. Crumbaugh, Andy Snider, and Dale L. Wagner
Members of the Audit Committee

March 8, 2016

Independent Auditor's Report

To the Board of Directors of GreenStone Farm Credit Services, ACA,

We have audited the accompanying Consolidated Financial Statements of GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, which comprise the consolidated statements of condition as of December 31, 2015, 2014 and 2013, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of GreenStone Farm Credit Services, ACA and its subsidiaries as of December 31, 2015, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 8, 2016

PricewaterhouseCoopers LLP, 225 South Sixth Street, Suite 1400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

CONSOLIDATED STATEMENTS OF CONDITION

GREENSTONE FARM CREDIT SERVICES, ACA
(In thousands)

As of December 31	2015	2014	2013
ASSETS			
Loans	$7,292,647	$6,721,782	$6,249,883
Allowance for loan losses	34,290	34,106	38,772
Net loans	7,258,357	6,687,676	6,211,111
Investment in AgriBank, FCB	111,217	103,368	157,945
Investment securities	20,587	25,661	32,233
Accrued interest receivable	50,409	47,645	43,327
Premises and equipment, net	39,753	34,526	33,342
Acquired property	2,440	1,904	12,751
Deferred tax assets, net	4,917	5,170	5,975
Other assets	38,960	40,386	44,530
Total assets	$7,526,640	$6,946,336	$6,541,214
LIABILITIES			
Note payable to AgriBank, FCB	$6,060,273	$5,582,495	$5,296,022
Accrued interest payable	23,976	21,324	20,108
Patronage distribution payable	35,272	36,200	29,000
Other liabilities	37,996	43,343	40,172
Total liabilities	6,157,517	5,683,362	5,385,302
Contingencies and commitments (Note 12)			
MEMBERS' EQUITY			
Protected members' equity	2	2	3
Capital stock and participation certificates	21,436	21,105	20,614
Unallocated surplus	1,347,685	1,241,867	1,135,295
Total members' equity	1,369,123	1,262,974	1,155,912
Total liabilities and members' equity	$7,526,640	$6,946,336	$6,541,214

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

CONSOLIDATED STATEMENTS OF INCOME

GREENSTONE FARM CREDIT SERVICES, ACA
(In thousands)

For the year ended December 31	2015	2014	2013
Interest income	$275,298	$258,253	$245,406
Interest expense	94,129	84,485	76,881
NET INTEREST INCOME	181,169	173,768	168,525
Provision for (reversal of) credit losses	3,273	(2,689)	(3,947)
NET INTEREST INCOME AFTER PROVISION FOR (REVERSAL OF) CREDIT LOSSES	177,896	176,457	172,472
Non-interest income			
Patronage income	23,433	27,964	29,017
Financially related services income	9,514	8,745	7,442
Fee income	13,572	12,998	16,145
Acquired property net income (loss)	267	3,485	(7,828)
Miscellaneous income, net	754	550	1,142
TOTAL NON-INTEREST INCOME	47,540	53,742	45,918
Operating expenses			
Salaries and employee benefits	56,391	51,320	52,816
Other operating expenses	29,179	28,204	26,298
TOTAL OPERATING EXPENSES	85,570	79,524	79,114
INCOME BEFORE INCOME TAXES	139,866	150,675	139,276
(Benefit from) provision for income taxes	(1,221)	7,918	4,166
NET INCOME	$141,087	$142,757	$135,110

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)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2012	$3	$19,742	$1,029,162	$1,048,907
Net income	—	—	135,110	135,110
Unallocated surplus designated for patronage distributions	—	—	(28,977)	(28,977)
Capital stock and participation certificates issued	—	2,324	—	2,324
Capital stock and participation certificates retired	—	(1,452)	—	(1,452)
Balance as of December 31, 2013	3	20,614	1,135,295	1,155,912
Net income	—	—	142,757	142,757
Unallocated surplus designated for patronage distributions	—	—	(36,185)	(36,185)
Capital stock and participation certificates issued	—	1,931	—	1,931
Capital stock and participation certificates retired	(1)	(1,440)	—	(1,441)
Balance as of December 31, 2014	2	21,105	1,241,867	1,262,974
Net income	—	—	141,087	141,087
Unallocated surplus designated for patronage distributions	—	—	(35,269)	(35,269)
Capital stock and participation certificates issued	—	1,976	—	1,976
Capital stock and participation certificates retired	—	(1,645)	—	(1,645)
Balance as of December 31, 2015	$2	$21,436	$1,347,685	$1,369,123

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

GREENSTONE FARM CREDIT SERVICES, ACA
(In thousands)

For the year ended December 31	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$141,087	$142,757	$135,110
Depreciation on premises and equipment	2,630	2,453	2,847
Depreciation on assets held for lease	—	—	803
(Gain) loss on sale of premises and equipment and assets held for lease	(135)	2	64
Amortization of premiums on loans and investment securities, net	652	976	986
Provision for (reversal of) credit losses	3,273	(2,689)	(3,947)
Stock patronage received from Farm Credit Institutions	(32)	(16,168)	(7,873)
Write-down on acquired property	211	463	12,033
Gain on acquired property	(317)	(4,077)	(1,526)
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	(13,491)	(12,860)	(14,626)
Decrease in other assets	1,186	3,184	1,407
Increase in accrued interest payable	2,652	1,216	387
(Decrease) increase in other liabilities	(5,347)	3,171	10,996
Net cash provided by operating activities	132,369	118,428	136,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loans, net	(564,303)	(451,449)	(512,087)
(Purchases) redemptions of investment in AgriBank, FCB, net	(7,849)	70,727	1,530
Redemptions (purchases) of investment in other Farm Credit Institutions, net	525	(845)	(2,773)
Decrease in investment securities, net	4,495	5,644	7,596
Increase in acquired property	1,299	1,362	8,938
Purchases of premises and equipment and assets held for lease, net	(7,722)	(1,011)	(5,296)
Net cash used in investing activities	(573,555)	(375,572)	(502,092)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in note payable to AgriBank, FCB, net	477,778	286,473	392,252
Patronage distributions paid	(36,197)	(28,985)	(26,472)
Capital stock and participation certificates retired, net	(395)	(344)	(349)
Net cash provided by financing activities	441,186	257,144	365,431
Net change in cash	—	—	—
Cash at beginning of year	7	7	7
Cash at end of year	$7	$7	$7
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES			
Stock financed by loan activities	$1,932	$1,896	$2,273
Stock applied against loan principal	1,199	1,054	1,046
Stock applied against interest	7	8	6
Interest transferred to loans	10,720	8,534	9,308
Loans transferred to acquired property	2,633	2,908	5,959
Qualified cash patronage distributions payable to members	35,272	36,200	29,000
Financed sales of acquired property	904	16,007	5,691
SUPPLEMENTAL INFORMATION			
Interest paid	$91,477	$83,269	$76,494
Taxes paid	2,316	5,897	688

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GREENSTONE FARM CREDIT SERVICES, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

FARM CREDIT SYSTEM AND DISTRICT

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2016, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and seventy-four customer-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System bank, and its affiliated Associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2016, the District consisted of seventeen Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

ASSOCIATION

GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (subsidiaries) are lending institutions of the System. We are a member-owned cooperative providing credit and credit related services to, or for the benefit of, eligible members for qualified agricultural purposes in the state of Michigan and the counties of Brown, Door, Florence, Kewaunee, Manitowac, Marinette, Menominee, Oconto, Outagamie, Shawano, and Waupaca in the state of Wisconsin.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options. The ACA and PCA make short-term and intermediate-term loans and provide lease financing options for agricultural production or operating purposes. At this time, the ACA holds all short-term and intermediate-term loans and the PCA has no assets.

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer farm records, fee appraisals, and income tax planning and preparation services to our members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES AND REPORTING POLICIES

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation.

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements present the consolidated financial results of GreenStone Farm Credit Services, ACA and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

SIGNIFICANT ACCOUNTING POLICIES

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Material loan fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

Generally we place loans in nonaccrual status when principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, the borrower has demonstrated payment performance, and the loan is not classified as doubtful or loss.

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 formally restructured loan for regulatory purposes. 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 troubled debt restructurings are considered risk loans (as defined below).

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses in our loan 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.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consisted of provision activity, recorded in "Provision for (reversal of) credit losses" in the Consolidated Statements of Income, and recoveries and charge-offs.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Investment Securities: We are authorized to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through "Miscellaneous income, net" in the Consolidated Statements of Income in the period of impairment. The non-credit related component is recognized in other comprehensive income. Purchased premiums and discounts are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the respective securities. Realized gains and losses are determined using specific identification method and are recognized in current operations.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Miscellaneous income, net" in the Consolidated Statements of Income. Depreciation, maintenance, and repairs are included in "Other operating expenses" in the Consolidated Statements of Income, and improvements are capitalized.

Acquired Property: Acquired property, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in "Acquired property net income (loss)" in the Consolidated Statements of Income.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in "Salaries and employee benefits" in the Consolidated Statements of Income.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. All employees hired after December 31, 2006, only participate in this plan.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001 are on the cash balance formula or on the final average pay formula. Benefits eligible employees hired between October 1, 2001 and December 31, 2006 are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management's assessment, any reserve is recorded in "Other liabilities" in the Consolidated Statements of Condition and a corresponding loss is recorded in "Provision for (reversal of) credit losses" in the Consolidated Statements of Income.

Cash: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

We have assessed the potential impact of accounting standards that have been issued, but are not yet effective, and have determined that no such standards are expected to have a material impact to our Consolidated Financial Statements. Except as noted below, no accounting pronouncements were adopted during 2015.

In February 2016, the FASB issued guidance entitled "leases". The guidance modifies the recognition and accounting for leases and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019 and interim periods the subsequent year. Early adoption is permitted and modified retrospective adoption is required. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

In January 2016, the FASB issued guidance entitled, "Recognition and Measurement of Financial Assets and Financial Liabilities." The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial statements. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2018 and interim periods with annual periods beginning after December 15, 2019. Certain disclosure changes are permitted to be immediately adopted for annual reporting periods that have not yet been made available for issuance. Nonpublic entities are no longer required to include certain fair value of financial instruments disclosures as part of these disclosure changes. We have immediately adopted this guidance and have excluded such disclosures from our Notes to Consolidated Financial Statements. Early adoption is only permitted for interim and annual reporting periods beginning after December 15, 2017 for other applicable sections of the guidance. We are currently evaluating the impact of the remaining guidance on our financial condition, results of operations, cash flows, or financial statement disclosures.

In August 2014, the FASB issued guidance, "Presentation of Financial Statements-Going Concern." The 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 to continue as a going concern exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for all entities for interim and annual periods ending after December 15, 2016, and early application is permitted. We do not expect the adoption of this guidance to have an effect on our financial condition, results of operations, cash flows, or financial statement disclosures.

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. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. We are in the process of reviewing contracts to determine the effect, if any, on our financial condition or our results of operations.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

We identified loans that required reclassification among the various loan type categories that are used to report disaggregated loan information in 2014 and 2013. We have evaluated the impact on the loan footnote disclosures and have concluded that these errors did not, individually or in the aggregate, result in a material misstatement of our previously issued consolidated financial statements. We concluded that a revision of loan type information for all years presented in the 2015 Annual Report was appropriate. As such, the revisions are reflected in the financial information of the applicable prior periods. The revisions had no impact on our financial position, results of operations, or regulatory capital ratios as of December 31, 2014, and 2013.

The following table presents the effect of these revisions of the disclosure of the summary of loans outstanding as of December 31, 2014 and 2013. Other disclosures included in the 2015 Annual Report have also been revised to consistently present the changes in classification.

	2014			2013		
(in thousands) As of December 31	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Production and intermediate term	$2,001,441	$46,560	$2,048,001	$1,907,963	$27,046	$1,935,009
Agribusiness	454,574	(83,060)	371,514	346,387	(63,546)	282,841
Other	280,051	36,500	316,551	286,063	36,500	322,563
Total	$2,736,066	$ —	$2,736,066	$2,540,413	$ —	$2,540,413

Loans by Type
(dollars in thousands)

	2015		2014		2013	
As of December 31	Amount	Percentage	Amount	Percentage	Amount	Percentage
Real estate mortgage	$4,345,125	59.6%	$3,985,716	59.3%	$3,709,470	59.4%
Production and intermediate term	2,177,244	29.9	2,048,001	30.5	1,935,009	31.0
Agribusiness	445,927	6.1	371,514	5.5	282,841	4.5
Other	324,351	4.4	316,551	4.7	322,563	5.1
Total	$7,292,647	100.0%	$6,721,782	100.0%	$6,249,883	100.0%

The other category is primarily comprised of rural residential real estate, communication, and energy related loans as well as loans originated under our mission related investment authority.

PORTFOLIO CONCENTRATIONS

We have borrower, agricultural, and geographic concentrations.

As of December 31, 2015, volume plus commitments to our ten largest borrowers totaled an amount equal to 4.8% of total loans and commitments.

Agricultural Concentrations

As of December 31	2015	2014	2013
Dairy	23.1%	22.4%	22.4%
Cash crops	22.5	22.9	20.1
Country home living	16.8	16.8	20.3
Timber	4.4	4.2	4.6
Agribusiness	4.3	4.3	3.8
Fruit	3.1	3.1	3.5
Hogs	3.1	3.0	3.7
Livestock	3.0	3.1	2.9
Poultry	2.3	1.9	0.6
Greenhouse and nursery	2.0	2.3	2.5
Potatoes	1.8	1.8	2.1
Sugar beets	1.7	1.7	1.7
Landlords	1.5	1.5	0.9
Vegetables	1.3	1.3	1.3
Broilers	1.1	0.5	1.5
Grains and field beans	1.0	0.7	0.7
Food products and distribution	0.6	0.5	0.8
Government guarantee	0.5	0.5	0.6
Other	5.9	7.5	6.0
Total	100.0%	100.0%	100.0%

We are chartered to operate throughout Michigan and in certain counties in Wisconsin. Our portfolio is fairly evenly distributed among the territory with no material concentrations in any one county. This is evidenced by there being no individual county representing greater than 5.0% of our total loan volume at December 31, 2015.

While these concentrations represent our maximum potential credit risk, as it relates to recorded loan principal, the vast majority of our lending activities are collateralized. This reduces our exposure to credit loss associated with our lending activities. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock. Long-term real estate loans are secured by the first liens on the underlying real property. FCA regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value at origination and our underwriting standards generally limit lending to no more than 65-75 percent at origination. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the lender in the collateral, may result in loan-to-value ratios in excess of the regulatory maximum. The District has an internally maintained database which uses market data to estimate market values of collateral for a significant portion of the real estate mortgage portfolio. We consider credit risk exposure in establishing the allowance for loan losses.

PARTICIPATIONS

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the FCA Regulations or General Financing Agreement (GFA) limitations.

Participations Purchased and Sold
(in thousands)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2015	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ —	$(263,031)	$228,838	$(70,058)	$125,802	$(3)	$354,640	$(333,092)
Production and intermediate term	—	(41,260)	282,214	(88,833)	39,440	(6)	321,654	(130,099)
Agribusiness	—	(31,804)	227,093	(34,232)	—	—	227,093	(66,036)
Other	—	(9,735)	117,287	—	—	—	117,287	(9,735)
Total	$ —	$(345,830)	$855,432	$(193,123)	$165,242	$(9)	$1,020,674	$(538,962)
As of December 31, 2014								
Real estate mortgage	$ —	$(310,737)	$186,601	$(62,669)	$127,277	$ —	$313,878	$(373,406)
Production and intermediate term	—	(31,359)	274,451	(79,089)	39,339	(9)	313,790	(110,457)
Agribusiness	—	(29,644)	152,988	(30,929)	20,000	—	172,988	(60,573)
Other	—	(10,967)	110,351	—	—	—	110,351	(10,967)
Total	$ —	$(382,707)	$724,391	$(172,687)	$186,616	$(9)	$911,007	$(555,403)
As of December 31, 2013								
Real estate mortgage	$ —	$(382,198)	$206,625	$(88,020)	$126,913	$ —	$333,538	$(470,218)
Production and intermediate term	—	(21,050)	236,553	(57,765)	63,687	(13)	300,240	(78,828)
Agribusiness	—	(709)	114,881	(9,858)	—	—	114,881	(10,567)
Other	—	(12,033)	97,883	—	—	—	97,883	(12,033)
Total	$ —	$(415,990)	$655,942	$(155,643)	$190,600	$(13)	$846,542	$(571,646)

Information in the preceding chart excludes loans entered into under our mission related investment authority.

CREDIT QUALITY AND DELINQUENCY

One credit quality indicator we utilize is the FCA Uniform Classification System that categorizes loans into five categories. The categories are defined as follows:

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

We had no loans categorized as loss at December 31, 2015, 2014, or 2013.

Credit Quality of Loans
(dollars in thousands)

As of December 31, 2015	Acceptable Amount	Acceptable Percentage	OAEM Amount	OAEM Percentage	Substandard/ Doubtful Amount	Substandard/ Doubtful Percentage	Total Amount
Real estate mortgage	$4,266,077	97.6%	$53,291	1.2%	$54,069	1.2%	$4,373,437
Production and intermediate term	2,143,198	97.5	14,405	0.7	39,709	1.8	2,197,312
Agribusiness	441,979	98.9	2,728	0.6	2,190	0.5	446,897
Other	313,623	96.5	3,578	1.1	7,856	2.4	325,057
Total	$7,164,877	97.6%	$74,002	1.0%	$103,824	1.4%	$7,342,703
As of December 31, 2014							
Real estate mortgage	$3,906,430	97.4%	$48,722	1.2%	$57,448	1.4%	$4,012,600
Production and intermediate term	2,016,682	97.6	8,174	0.4	41,877	2.0	2,066,733
Agribusiness	370,896	99.6	1,469	0.4	—	—	372,365
Other	303,558	95.7	3,892	1.2	9,931	3.1	317,381
Total	$6,597,566	97.5%	$62,257	0.9%	$109,256	1.6%	$6,769,079
As of December 31, 2013							
Real estate mortgage	$3,590,969	96.2%	$41,411	1.1%	$101,232	2.7%	$3,733,612
Production and intermediate term	1,881,085	96.4	14,114	0.7	57,080	2.9	1,952,279
Agribusiness	272,713	96.2	2,345	0.8	8,565	3.0	283,623
Other	307,480	95.1	4,585	1.4	11,289	3.5	323,354
Total	$6,052,247	96.2%	$62,455	1.0%	$178,166	2.8%	$6,292,868

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans
(in thousands)

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 Loans	90 Days 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
As of December 31, 2014						
Real estate mortgage	$9,501	$4,089	$13,590	$3,999,010	$4,012,600	$ —
Production and intermediate term	3,823	2,502	6,325	2,060,408	2,066,733	—
Agribusiness	—	—	—	372,365	372,365	—
Other	2,649	1,042	3,691	313,690	317,381	—
Total	$15,973	$7,633	$23,606	$6,745,473	$6,769,079	$ —
As of December 31, 2013						
Real estate mortgage	$14,324	$9,503	$23,827	$3,709,785	$3,733,612	$ —
Production and intermediate term	6,422	1,287	7,709	1,944,570	1,952,279	—
Agribusiness	—	—	—	283,623	283,623	—
Other	4,403	700	5,103	318,251	323,354	—
Total	$25,149	$11,490	$36,639	$6,256,229	$6,292,868	$ —

RISK LOANS

Risk loans (accruing loans include accrued interest receivable) are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information
(in thousands)

As of December 31	2015	2014	2013
Nonaccrual loans:			
Current as to principal and interest	$32,981	$36,080	$41,652
Past due	8,973	11,473	16,233
Total nonaccrual loans	41,954	47,553	57,885
Accruing restructured loans	3,459	3,173	1,923
Accruing loans 90 days or more past due	34	—	—
Total risk loans	$45,447	$50,726	$59,808
Volume with specific reserves	$27,935	$33,272	$39,030
Volume without specific reserves	17,512	17,454	20,778
Total risk loans	$45,447	$50,726	$59,808
Total specific reserves	$11,904	$15,895	$17,168
For the year ended December 31	**2015**	**2014**	**2013**
Income on accrual risk loans	$233	$158	$75
Income on nonaccrual loans	1,413	2,145	1,223
Total income on risk loans	$1,646	$2,303	$1,298
Average recorded risk loans	$50,285	$62,702	$65,841

Nonaccrual loans decreased from $47.6 million at December 31, 2014 to $42.0 million at December 31, 2015. This $5.6 million decrease in nonaccrual volume was primarily due to paydowns and improved credit quality. As of December 31, 2015, 44.2% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 17.9% part-time farmers, and 17.7% general crop and livestock farms. At December 31, 2015, 78.6% of our nonaccrual loans were current in their payment status.

Accruing restructured loans increased slightly during 2015 from $3.2 million as of December 31, 2014 to $3.5 million as of December 31, 2015. At December 31, 2015, 94.5% of our accruing restructured loans were current in their payment status.

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

To mitigate credit risk, we have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac). In the event of default, subject to certain conditions, we have the right to sell the loans identified in the agreement to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $9.5 million, $10.1 million, and $11.0 million at December 31, 2015, 2014, and 2013, respectively. Fees paid to Farmer Mac for these commitments totaled $51 thousand, $55 thousand, and $59 thousand in 2015, 2014, and 2013, respectively. These amounts are included in "Other operating expenses" in the Consolidated Statements of Income. As of December 31, 2015, no loans have been sold to Farmer Mac under this agreement.

Nonaccrual Loans by Loan Type
(in thousands):

As of December 31	2015	2014	2013
Real estate mortgage	$22,445	$27,334	$31,863
Production and intermediate term	16,552	16,112	21,387
Other	2,957	4,107	4,635
Total	$41,954	$47,553	$57,885

Additional Impaired Loan Information by Loan Type
(in thousands)

	As of December 31, 2015			For the year ended December 31, 2015	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$13,492	$17,415	$4,864	$15,425	$ —
Production and intermediate term	12,268	14,355	6,259	13,030	—
Agribusiness	—	—	—	—	—
Other	2,175	2,525	781	2,281	—
Total	$27,935	$34,295	$11,904	$30,736	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$11,685	$26,021	$ —	$13,360	$589
Production and intermediate term	4,881	11,410	—	5,185	620
Agribusiness	—	57	—	14	179
Other	946	4,053	—	990	258
Total	$17,512	$41,541	$ —	$19,549	$1,646
Total impaired loans:					
Real estate mortgage	$25,177	$43,436	$4,864	$28,785	$589
Production and intermediate term	17,149	25,765	6,259	18,215	620
Agribusiness	—	57	—	14	179
Other	3,121	6,578	781	3,271	258
Total	$45,447	$75,836	$11,904	$50,285	$1,646

	As of December 31, 2014			For the year ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$18,506	$20,509	$7,793	$21,680	$ —
Production and intermediate term	12,008	14,176	7,140	14,543	—
Agribusiness	—	—	—	—	—
Other	2,758	3,317	962	3,057	—
Total	$33,272	$38,002	$15,895	$39,280	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$11,241	$26,197	$ —	$13,170	$987
Production and intermediate term	4,697	10,758	—	5,689	891
Agribusiness	—	59	—	2,882	314
Other	1,516	4,967	—	1,681	111
Total	$17,454	$41,981	$ —	$23,422	$2,303
Total impaired loans:					
Real estate mortgage	$29,747	$46,706	$7,793	$34,850	$987
Production and intermediate term	16,705	24,934	7,140	20,232	891
Agribusiness	—	59	—	2,882	314
Other	4,274	8,284	962	4,738	111
Total	$50,726	$79,983	$15,895	$62,702	$2,303

	As of December 31, 2013			For the year ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$21,993	$24,287	$7,943	$23,941	$ —
Production and intermediate term	14,514	16,185	8,410	15,868	—
Agribusiness	—	—	—	79	—
Other	2,523	3,201	815	2,936	—
Total	$39,030	$43,673	$17,168	$42,824	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$11,322	$27,039	$ —	$12,327	$1,065
Production and intermediate term	7,344	14,843	—	8,029	99
Agribusiness	—	60	—	72	—
Other	2,112	6,139	—	2,589	134
Total	$20,778	$48,081	$ —	$23,017	$1,298
Total impaired loans:					
Real estate mortgage	$33,315	$51,326	$7,943	$36,268	$1,065
Production and intermediate term	21,858	31,028	8,410	23,897	99
Agribusiness	—	60	—	151	—
Other	4,635	9,340	815	5,525	134
Total	$59,808	$91,754	$17,168	$65,841	$1,298

The recorded investment in the loan is the face amount 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 of the investment.

Unpaid principal balance represents the contractual principal balance of the loan.

We had two relationships to lend additional money to borrowers whose loans were at risk at December 31, 2015. The balance of the unfunded loan commitments was $2.7 million. See the allowance for loan losses section in Note 3 for further discussion.

TROUBLED DEBT RESTRUCTURINGS

Included within our loans are troubled debt restructurings (TDRs). These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

TDR Activity
(in thousands)

For the year ended December 31	2015		2014		2013	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	$143	$177	$298	$299	$200	$194
Production and intermediate term	283	285	46	44	2,186	2,186
Other	108	111	94	104	—	—
Total	$534	$573	$438	$447	$2,386	$2,380

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 types of modification during 2015 was extension of maturity.

TDRs that Subsequently Defaulted within the Previous 12 Months
(in thousands)

	2015	2014	2013
Production and intermediate term	$30	$—	$31
Other	—	104	—
Total	$30	$104	$31

TDRs Outstanding
(in thousands):

As of December 31	2015	2014	2013
Accrual status:			
Real estate mortgage	$2,732	$2,412	$1,452
Production and intermediate term	563	594	471
Other	164	167	—
Total TDRs in accrual status	$3,459	$3,173	$1,923
Nonaccrual status:			
Real estate mortgage	$841	$1,366	$2,728
Production and intermediate term	425	346	899
Other	382	254	374
Total TDRs in nonaccrual status	$1,648	$1,966	$4,001
Total TDRs:			
Real estate mortgage	$3,573	$3,778	$4,180
Production and intermediate term	988	940	1,370
Other	546	421	374
Total TDRs	$5,107	$5,139	$5,924

ALLOWANCE FOR LOAN LOSSES

Changes in Allowance for Loan Losses
(in thousands)

For the year ended December 31	2015	2014	2013
Balance at beginning of year	$34,106	$38,772	$41,964
Provision for (reversal of) loan losses	2,640	(2,378)	(6,355)
Loan recoveries	820	738	7,218
Loan charge-offs	(3,276)	(3,026)	(4,055)
Balance at end of year	$34,290	$34,106	$38,772

The allowance for loan losses increased $184 thousand from December 31, 2014 to December 31, 2015. During 2015, a provision for loan loss of $2.6 million was recorded, which was partially offset by $2.5 million of net charge-offs.

The "Provision for (reversal of) credit losses" in the Consolidated Statements of Income included $2.6 million for provision for loan losses as presented in the previous chart as well as a provision of $0.6 million for provision for credit losses on unfunded loan commitments. 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 $2.7 million, $2.1 million, and $2.4 million as of December 31, 2015, 2014, and 2013, respectively.

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type
(in thousands)

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2014	$12,569	$18,788	$923	$1,826	$34,106
Provision for (reversal of) loan losses	1,290	1,495	(49)	(96)	2,640
Loan recoveries	447	223	4	146	820
Loan charge-offs	(566)	(2,361)	(14)	(335)	(3,276)
Balance as of December 31, 2015	$13,740	$18,145	$864	$1,541	$34,290
Ending balance: individually evaluated for impairment	$4,864	$6,259	$ —	$781	$11,904
Ending balance: collectively evaluated for impairment	$8,876	$11,886	$864	$760	$22,386
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2015	$4,373,437	$2,197,312	$446,897	$325,057	$7,342,703
Ending balance: individually evaluated for impairment	$25,177	$17,149	$ —	$3,121	$45,447
Ending balance: collectively evaluated for impairment	$4,348,260	$2,180,163	$446,897	$321,936	$7,297,256

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2013	$13,762	$20,241	$2,934	$1,835	$38,772
Provision for (reversal of) loan losses	67	(743)	(2,013)	311	(2,378)
Loan recoveries	191	383	2	162	738
Loan charge-offs	(1,451)	(1,093)	—	(482)	(3,026)
Balance as of December 31, 2014	$12,569	$18,788	$923	$1,826	$34,106
Ending balance: individually evaluated for impairment	$7,793	$7,140	$ —	$962	$15,895
Ending balance: collectively evaluated for impairment	$4,776	$11,648	$923	$864	$18,211
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2014	$4,012,600	$2,066,733	$372,365	$317,381	$6,769,079
Ending balance: individually evaluated for impairment	$29,747	$16,705	$ —	$4,274	$50,726
Ending balance: collectively evaluated for impairment	$3,982,853	$2,050,028	$372,365	$313,107	$6,718,353

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2012	$13,697	$18,607	$7,379	$2,281	$41,964
Provision for (reversal of) loan losses	769	(1,114)	(6,442)	432	(6,355)
Loan recoveries	1,334	3,735	2,022	127	7,218
Loan charge-offs	(2,038)	(987)	(25)	(1,005)	(4,055)
Balance as of December 31, 2013	$13,762	$20,241	$2,934	$1,835	$38,772
Ending balance: individually evaluated for impairment	$7,943	$8,410	$ —	$815	$17,168
Ending balance: collectively evaluated for impairment	$5,819	$11,831	$2,934	$1,020	$21,604
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2013	$3,733,612	$1,952,279	$283,623	$323,354	$6,292,868
Ending balance: individually evaluated for impairment	$33,315	$21,858	$ —	$4,635	$59,808
Ending balance: collectively evaluated for impairment	$3,700,297	$1,930,421	$283,623	$318,719	$6,233,060

The recorded investment in the loan is the face amount 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 of the investment.

ACQUIRED PROPERTY

Acquired property is real and personal property acquired through foreclosure or deed in lieu of foreclosure. Acquired property was $2.4 million, $1.9 million, and $12.8 million at December 31, 2015, 2014, and 2013, respectively. The increase was primarily due to $2.6 million of gross loans transferred in, which were partially offset by $1.8 million of properties sold.

NOTE 4: INVESTMENT IN AGRIBANK

As of December 31, 2015, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. Prior to March 31, 2014, the required investment was equal to 2.5% plus an additional 1.0% on growth that exceeded a targeted rate. Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million. In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment.

In addition, we are also required by AgriBank to maintain an investment equal to 8.0% of the quarter end balance of the participation interests in real estate loans sold to AgriBank under the AgriBank Asset Pool program.

The balance of our investment in AgriBank, all required stock, was $111.2 million, $103.4 million, and $157.9 million at December 31, 2015, 2014, and 2013, respectively.

NOTE 5: INVESTMENT SECURITIES

We held investment securities of $20.6 million, $25.7 million, and $32.2 million at December 31, 2015, 2014, and 2013, respectively. Our investment securities consisted of loans fully guaranteed by the Small Business Administration. The 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 December 31	2015	2014	2013
Amortized cost	$20,587	$25,661	$32,233
Unrealized gains	831	933	666
Fair value	$21,418	$26,594	$32,899
Weighted average yield	1.5%	0.7%	1.3%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $338 thousand, $188 thousand, and $458 thousand in 2015, 2014, and 2013, respectively.

NOTE 6: PREMISES AND EQUIPMENT

Premises and Equipment
(in thousands)

As of December 31	2015	2014	2013
Land, buildings, and improvements	$45,658	$40,782	$37,965
Furniture and equipment	19,505	17,809	17,027
Subtotal	65,163	58,591	54,992
Less: accumulated depreciation	25,410	24,065	21,650
Premises and equipment, net	$39,753	$34,526	$33,342

NOTE 7: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and our assets serve as collateral.

Note Payable Information
(dollars in thousands)

As of December 31	2015	2014	2013
Line of credit	$7,000,000	$6,500,000	$6,000,000
Outstanding principal under the line of credit	6,060,273	5,582,495	5,296,022
Interest rate	1.7%	1.7%	1.5%

Our note payable matured on January 31, 2016 and was renewed with an effective date of February 1, 2016 for $7.0 billion with a maturity date of January 31, 2017. The note will be renegotiated at that time. As discussed in Note 4, effective January 1, 2014, we agreed to pay an additional spread on a portion of our note payable in return for a reduction in our required investment in AgriBank.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. At December 31, 2015, and throughout the year, we materially complied with the GFA terms and were not declared in default under any GFA covenants or provisions.

NOTE 8: MEMBERS' EQUITY

CAPITALIZATION REQUIREMENTS

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

PROTECTION MECHANISMS

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988 as a requirement for obtaining a loan. If we were to be unable to retire protected borrower equity at par value or stated value, the FCSIC would provide the amounts needed to retire this equity.

REGULATORY CAPITALIZATION REQUIREMENTS

Select Capital Ratios

As of December 31	2015	2014	2013	Regulatory Minimums
Permanent capital ratio	16.0%	16.2%	14.7%	7.0%
Total surplus ratio	15.8%	15.9%	14.3%	7.0%
Core surplus ratio	15.8%	15.9%	14.3%	3.5%

The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any excess stock investment in AgriBank divided by average risk-adjusted assets.

Regulatory capital includes all of our investment in AgriBank that is in excess of the required investment under an allotment agreement with AgriBank. We had no excess stock at December 31, 2015, 2014, or 2013.

DESCRIPTION OF EQUITIES

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31	2015	2014	2013
Class A common stock (protected)	1	1	1
Class B common stock (at-risk)	3,802,566	3,733,893	3,637,747
Class E participation certificates (at-risk)	484,581	487,093	485,199
Class F participation certificates (protected)	352	352	551

Under our bylaws, we are also authorized to issue Class C and Class D common stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class B common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2015, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In accordance with our bylaws, in the event of our liquidation or dissolution, any assets remaining after payment or retirement of all liabilities shall be distributed pro rata to all holders of stock and participation certificates.

In the event of impairment, losses will be absorbed by concurrent impairment of all classes of stock and participation certificates; however, protected stock will be retired at par value regardless of impairment.

All classes of stock and participation certificates, except Class A common stock and Class F participation certificates are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

PATRONAGE DISTRIBUTIONS

We accrued patronage distributions of $35.3 million, $36.2 million, and $29.0 million at December 31, 2015, 2014, and 2013, respectively. The patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2016.

NOTE 9: INCOME TAXES

(Benefit from) Provision for Income Taxes
(dollars in thousands)

For the year ended December 31	2015	2014	2013
Current:			
Federal	$(1,135)	$6,031	$6,207
State	(339)	1,082	767
Total current	(1,474)	7,113	6,974
Deferred:			
Federal	254	789	(2,713)
State	(1)	16	(95)
Total deferred	253	805	(2,808)
(Benefit from) provision for income taxes	$(1,221)	$7,918	$4,166
Effective tax rate	(0.9%)	5.3%	3.0%

Reconciliation of Taxes at Federal Statutory Rate to (Benefit from) Provision for Income Taxes
(in thousands)

For the year ended December 31	2015	2014	2013
Federal tax at statutory rates	$48,953	$52,737	$48,618
State tax, net	497	695	525
Patronage distributions	(3,500)	(2,566)	(5,425)
Effect of non-taxable entity	(41,627)	(43,187)	(38,794)
Other	(5,544)	239	(758)
(Benefit from) provision for income taxes	$(1,221)	$7,918	$4,166

DEFERRED INCOME TAXES

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities
(in thousands)

As of December 31	2015	2014	2013
Allowance for loan losses	$7,051	$7,745	$8,698
Postretirement benefit accrual	986	985	1,017
Net operating loss carryforward	—	—	1,889
Accrued incentive	931	942	998
Acquired property reserve	—	—	753
Leasing related, net	—	—	(2,321)
Accrued patronage income not received	(431)	(649)	(912)
AgriBank 2002 allocated stock	(1,683)	(1,679)	(1,714)
Accrued pension asset	(1,471)	(1,560)	(1,544)
Depreciation	(241)	(386)	(593)
Other assets	207	208	164
Other liabilities	(432)	(436)	(460)
Deferred tax assets, net	$4,917	$5,170	$5,975
Gross deferred tax assets	$9,175	$9,880	$13,519
Gross deferred tax liabilities	$(4,258)	$(4,710)	$(7,544)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2015, 2014, or 2013.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $46.0 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $1.2 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2015. In addition, we believe we are no longer subject to income tax examinations for years prior to 2012.

NOTE 10: EMPLOYEE BENEFIT PLANS

PENSION AND POST-EMPLOYMENT BENEFIT PLANS

Complete financial information for the pension and post-employment benefit plans may be found in the Combined AgriBank and affiliated Associations 2015 Annual Report (District financial statements).

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Coordinating Committee (a subset of the Plan Sponsor Committee comprised of AgriBank District representatives) is responsible for decisions regarding retirement benefits at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multiple-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This Plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information
(in thousands)

As of December 31	2015	2014	2013
Unfunded liability	$453,825	$423,881	$255,187
Projected benefit obligation	1,255,259	1,234,960	1,014,649
Fair value of plan assets	801,434	811,079	759,462
Accumulated benefit obligation	1,064,133	1,051,801	864,202

For the year ended December 31	2015	2014	2013
Total plan expense	$63,800	$45,827	$63,270
Our allocated share of plan expenses	5,911	4,360	5,997
Contributions by participating employers	62,722	52,032	59,046
Our allocated share of contributions	5,809	4,948	5,597

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these Consolidated Financial Statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and is based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in "Salaries and employee benefits" in the Consolidated Statements of Income.

The plan expense for participating employers in 2015 increased to levels more consistent with 2013 primarily due to changes in discount rate and mortality assumptions. Benefits paid to participants in the District were $56.2 million in 2015. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plans during 2016 is $57.9 million. Our allocated share of these pension contributions is expected to be $5.5 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Nonqualified Retirement Plan: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

Pension Restoration Plan Information
(in thousands)

As of December 31	2015	2014	2013
Unfunded liability	$31,650	$27,695	$25,263
Projected benefit obligation	31,650	27,695	25,263
Accumulated benefit obligation	26,323	22,959	19,799

For the year ended December 31	2015	2014	2013
Total plan expense	$3,776	$3,652	$3,577
Our allocated share of plan expenses	737	540	467
Our cash contributions	258	258	258

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. Our allocated share of plan expenses is included in "Salaries and employee benefits" in the Consolidated Statements of Income. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions are equal to the benefits paid. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status.

Retiree Medical Plan Information
(in thousands)

For the year ended December 31	2015	2014	2013
Postretirement benefit expense	$115	$51	$120
Our cash contributions	152	153	149

Postretirement benefit costs are included in "Salaries and employee benefits" in the Consolidated Statements of Income. Our cash contributions are equal to the benefits paid.

DEFINED CONTRIBUTION PLANS

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Income, were $2.3 million, $2.0 million, and $2.0 million in 2015, 2014, and 2013, respectively. These expenses were equal to our cash contributions for each year.

NOTE 11: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2015 involved more than a normal risk of collectability.

Related Party Loans and Leases Information
(in thousands)

As of December 31:	2015	2014	2013
Total related party loans and leases	$44,615	$40,563	$36,862
For the year ended December 31:	2015	2014	2013
Advances to related parties	$24,426	$30,462	$37,675
Repayments by related parties	49,251	51,751	41,226

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans and leases in the preceding chart are related to those considered related parties at year end.

As discussed in Note 7, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio.

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, and insurance services. The total cost of services we purchased from AgriBank was $1.8 million in 2015, 2014, and 2013.

We also purchase human resource information systems, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). As of December 31, 2015, 2014, and 2013, our investment in Foundations was $59 thousand. The total cost of services purchased from Foundations was $258 thousand, $234 thousand, and $226 thousand in 2015, 2014, and 2013, respectively.

NOTE 12: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments which may not be reflected in the accompanying 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 have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. At December 31, 2015, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $2.2 billion. Additionally, we had $13.3 million of issued standby letters of credit as of December 31, 2015.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 13: 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 input levels that may be used to measure fair value. Refer to Note 2 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 December 31, 2015, 2014, or 2013.

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 December 31, 2015

	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Gains
Impaired loans	$ —	$9,168	$7,665	$16,833	$714
Acquired property	—	5,377	—	5,377	106

As of December 31, 2014

	Fair Value Measurement Using			Total Fair	Total(Losses)
	Level 1	Level 2	Level 3	Value	Gains
Impaired loans	$ —	$10,157	$8,089	$18,246	$(1,753)
Acquired property	—	2,719	—	2,719	3,614

As of December 31, 2013

	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	$ —	$11,142	$11,812	$22,954	$(1,156)
Acquired property	—	2,369	11,335	13,704	(10,507)

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 fall under 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 fall under Level 3.

Acquired property: Represents the fair value and related gains and 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 fall under level 2. If the process requires significant input based on management's knowledge of and judgement about current market conditions, specific issues relating to the property and other matters, they fall under level 3.

NOTE 14: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 8, 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 2015 Consolidated Financial Statements or disclosures in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

DESCRIPTION OF BUSINESS

General information regarding the business is incorporated herein by reference from Note 1 to the accompanying Consolidated Financial Statements.

The description of significant business developments, if any, is incorporated herein by reference from the "Management's Discussion and Analysis" section of this Annual Report.

DESCRIPTION OF PROPERTY

Property Information

Location	Description	Usage
Adrian, MI	Owned	Branch Office
Allegan, MI	Owned	Branch Office
Alma, MI	Owned	Branch Office
Alpena, MI	Owned	Branch Office
Ann Arbor, MI	Owned	Branch Office
Bad Axe, MI	Owned	Branch Office
Bay City, MI	Owned	Branch Office
Berrien Springs, MI	Owned	Branch Office
Cadillac, MI	Owned	Branch Office
Caro, MI	Owned	Branch Office
Charlotte, MI	Leased	Branch Office
Clintonville, WI	Owned	Branch Office
Coleman, WI	Owned	Branch Office
Concord, MI	Owned	Branch Office
Corunna, MI	Owned	Branch Office
De Pere, WI[1]	Owned	Held for Sale
West Rd, East Lansing, MI	Owned	Corporate
Abbey Rd, East Lansing, MI[2]	Owned	Leased to Tenant
Escanaba, MI	Leased	Branch Office
Grand Rapids, MI	Owned	Branch Office
Hart, MI	Leased	Branch Office
Hastings, MI	Owned	Branch Office
Hillsdale, MI	Owned	Branch Office
Howell, MI	Leased	Branch Office
Ionia, MI	Owned	Branch Office
Lakeview, MI	Owned	Branch Office
Lapeer, MI	Owned	Branch Office
Little Chute, WI	Owned	Branch Office
Manitowoc, WI	Leased	Branch Office
Mason, MI	Leased	Branch Office
Monroe, MI	Owned	Branch Office
Mt. Pleasant, MI	Owned	Branch Office
Saginaw, MI	Owned	Branch Office
Sandusky, MI	Owned	Branch Office
Schoolcraft, MI	Owned	Branch Office
St. Johns, MI	Owned	Branch Office
Sturgeon Bay, WI	Leased	Branch Office
Traverse City, MI	Owned	Branch Office

[1]Former branch office, currently held for sale.

[2]Former corporate office, currently occupied by a tenant on a long-term lease.

LEGAL PROCEEDINGS

Information regarding legal proceedings is discussed in Note 12 to the accompanying Consolidated Financial Statements. We were not subject to any enforcement actions as of December 31, 2015.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is discussed in Note 8 to the accompanying Consolidated Financial Statements.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is discussed in Notes 7, 8, 9, 10, and 12 to the accompanying Consolidated Financial Statements.

SELECTED FINANCIAL DATA

The "Consolidated Five-Year Summary of Selected Financial Data" is presented at the beginning of this Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the "Management's Discussion and Analysis" section of this Annual Report.

BOARD OF DIRECTORS

Board of Directors as of December 31, 2015, including business experience during the last five years

Name	Term	Principal Occupation and Other Affiliations
Scott A. Roggenbuck (Age 53) Board Chair Executive Committee, Chair Compensation Committee, Vice Chair Service Began: 2007	2013-2016	**Principal Occupation:** Self-employed cash crop farmer, prior sales representative and crop consultant for Dupont Pioneer President: Cedar Pond Farms, Inc. (grain and sugar beet operation) President: Cedar Pond Holdings, LLC (family partnership owning farmland) President: Cedar Pond Ag Services Inc. (custom farming and consulting) **Other Affiliations:** Chairman: Sugar Beet Advancement Committee and the REACh Committee (both committees provide research and education in the advancement of the production of sugar beets in Michigan and Ontario)
Edward L. Reed (Age 53) Board Vice Chair Executive Committee, Vice Chair Compensation Committee, Chair Service Began: 2008	2014-2018	**Principal Occupation:** Self-employed livestock and grain producer **Other Affiliations:** Board Member: Michigan Pork Producers Association
Matthew L. Berge (Age 39) Finance Committee, Chair Service Began: 2013	2015-2019	**Principal Occupation:** Self-employed dairy and heifer operation Partner: Badger Pride Dairy, LLC Director: The Heifer Authority, LLC
Laura A. Braun (Age 56) Legislative/Public Policy Committee, Chair Service Began: 2012	2015-2019	**Principal Occupation:** Self-employed cash crop, livestock farmer and seed dealer, and former small business owner Partner: Golden Maple Farms, LLC Dealer: Stine Seeds **Other Affiliations:** AgriBank District Farm Credit Council Board
Wm. "Hank" Choate (Age 65) Finance Committee Service Began: 2014	2014-2017	**Principal Occupation:** Self-employed dairy and cash grain farmer Owner/Partner: Choate's Belly Acres Member: Liberty Centennial, LLC **Other Affiliations:** Michigan Milk Producers Association Board (milk marketing cooperative owned by dairy farmers in Michigan, Indiana, Ohio, and Wisconsin) Liberty Township Planning Committee NorthStar Advisory Committee (member farmer owned cooperative that enhances producers profitability through integrated services) Michigan Farm Bureau Dairy Commodity Committee (considers and makes dairy policy recommendations for approval by its members) Chairman: Jackson County Republican Party
Eugene B. College (Age 70) Appointed Director Audit Committee, Chair Service Began: 2009	2014-2017	**Principal Occupation:** Retired Senior Vice President and Chief Financial Officer of Farm Credit Services of America, ACA
Christine M. Crumbaugh (Age 46) Audit Committee Service Began: 2012	2015-2018	**Principal Occupation:** Self-employed grain farming and sugar beet production Vice President/Secretary/Treasurer/Manager: Crumbaugh Legacy, Inc. Member/Manager: Crumbaugh Legacy Farmland, LLC **Other Affiliations:** Natural Resources Commissioner for Governor Rick Snyder of Michigan Chairperson: Michigan Farm Bureau Feed Grains, Oilseeds, and Wheat Advisory Committee

Name	Term	Principal Occupation and Other Affiliations
Thomas R. Durand (Age 60) Legislative/Public Policy Committee Service Began: 2013	2013-2016	**Principal Occupation:** Self-employed sugar beet, dry beans, and grain farmer President: Durand Farms, Inc. **Other Affiliations:** Treasurer: Corn Marketing Program of Michigan appointed by Governor Rick Snyder Supervisor: Buel Township, Sanilac County
Darl E. Evers (Age 72) Executive Committee Compensation Committee Service Began: 1990	2014-2018	**Principal Occupation:** Self-employed grain and livestock farmer
Terri J. Hawbaker (Age 35) Finance Committee, Vice Chair Service Began: 2015	2015-2019	**Principal Occupation:** Self-employed dairy farmer Owner/Operator: Grazeway Dairy
Bruce E. Lewis (Age 50) Executive Committee Compensation Committee Service Began: 2011	2014-2017	**Principal Occupation:** Self-employed dairy and cash crop farmer
Ronald W. Lucas (Age 59) Legislative/Public Policy Committee, Vice Chair Service Began: 2013	2013-2016	**Principal Occupation:** Self-employed dairy farmer Partner: Lucas Dairy Farms LLC **Other Affiliations:** Township Supervisor for Wellington Township Secretary/Treasurer: Michigan Milk Producers Association
Dennis C. Muchmore (Age 69) Appointed Director Legislative/Public Policy Committee Service Began: 2002	2013-2016	**Principal Occupation:** Chief of Staff of the Governor of Michigan **Other Affiliations:** Director/Resident Agent: TOMDEN Enterprises, LLC (privately held investment firm with limited business interests in aeronautic composites)
Gilbert E. Ritter (Age 65) Finance Committee Service Began: 1991	2013-2016	**Principal Occupation:** Self-employed grain farmer
Aaron "Andy" Snider (Age 53) Audit Committee, Vice Chair Service Began: 2012	2015-2018	**Principal Occupation:** Self-employed turkey, pig, and cash grain farmer Partner: Snider Farms, LLC Partner: Snider RE, LLC **Other Affiliations:** Board Member: Michigan Turkey Producers Co-op Executive Council: Land-O-Lakes Co-op Region IV and Policy and Resolutions Committee Board Member: Michigan Allied Poultry Industries (represents Michigan layers, broilers, and turkeys)
Dale L. Wagner (Age 56) Audit Committee Service Began: 2012	2015-2019	**Principal Occupation:** Self-employed dairy, cash grain farmer, and custom harvester Partner: Twin Elm Family Farm, LLC Partner: Union 151, LLC **Other Affiliations:** Wisconsin Farm Credit Legislative Committee (GreenStone representative)

In 2015, the Board Chair and Chair of the Audit Committee received annual retainer fees of $27,000 each and the Board Vice Chair received $25,000. The remaining Board members received an annual retainer fee of $23,000. All board members also received a $600 computer allowance prorated based on the number of months served during the current year. The retainer fees are paid quarterly. In 2015, the Board members did not receive compensation for individual Board or regular committee meetings attended.

Information regarding compensation paid to each director who served during 2015 follows:

	Number of Days Served		
	Board Meetings	Other Official Activities	Total Compensation Paid in 2015
Matthew L. Berge	6	8	$23,600
Laura A. Braun	6	26	23,600
Wm. "Hank" Choate	5	12	23,600
Eugene B. College	6	17	27,600
Christine M. Crumbaugh	6	25	23,600
Thomas R. Durand	6	17	23,600
Darl E. Evers	6	14	23,600
Terri J. Hawbaker*	3	10	13,364
Bruce E. Lewis	4	9	23,600
Ronald W. Lucas	6	24	23,600
Dennis C. Muchmore	5	10	23,600
Edward L. Reed	5	19	25,600
Gilbert E. Ritter	6	10	23,600
Scott A. Roggenbuck	6	22	27,600
Aaron "Andy" Snider	6	23	23,600
Dale L. Wagner	6	15	23,600
Catherine L. Webster**	3	9	10,536
			$387,900

* Newly elected director
**Not re-elected

SENIOR OFFICERS
The senior officers include:

David B. Armstrong
Chief Executive Officer

Paul E. Anderson
Executive Vice President – Chief Credit Officer

Travis D. Jones, CPA
Executive Vice President – Chief Financial Officer

Stephen A. Junglas
Executive Vice President – Chief Information Officer and Chief Information Security Officer

Peter L. Lemmer
Executive Vice President – Chief Legal Counsel

Bethany L. Barker, SPHR
Executive Vice President – Chief Human Resources Officer

Melissa A. Stolicker, CPA
Executive Vice President – Chief Internal Auditor

Randy L. Stec
Executive Vice President – Chief Sales and Marketing Officer

David B. Armstrong was promoted as Chief Executive Officer (CEO) in January 2009. Paul E. Anderson was promoted as Chief Credit Officer in November 2009. Travis D. Jones was hired as Chief Financial Officer in 2007. Stephen A. Junglas was promoted to Chief Information Officer in 2012, prior to that he served as the Information Services Director since 2006. Peter L. Lemmer was hired as Chief Legal Counsel in 2008. Bethany L. Barker has been in her position since April 1998. Melissa A. Stolicker has been in her position since August 2004. Randy L. Stec was promoted to Chief Sales and Marketing Officer in March 2014, prior to that he served as the Senior Vice President of Sales from 2012 and from 2000 to 2012 served as the Regional Vice President of the East Region.

OTHER BUSINESS INTERESTS WHERE A SENIOR OFFICER SERVED AS A BOARD OF DIRECTOR OR SENIOR OFFICER
David B. Armstrong serves as a director on the executive committee of the Michigan Economic Development Corporation (promotes economic development within the state of Michigan). He serves as a board member and Treasurer for the Michigan Livestock Exhibition (non-profit to generate funding for youth scholarships through annual livestock shows and auctions). He also serves as a board member of the Farm Credit System Association Captive Insurance Company (privately-held insurance association that is owned by the System) and as a board member for Crystal Flash Energy Company (provides fuels and lubes to residential and commercial customers throughout primarily the state of Michigan).

Paul E. Anderson serves as a director on the Michigan Strategic Fund board (promotes economic development and job creation in Michigan).

Travis D. Jones serves as a board member for Michigan Finance Authority (offers effective low-cost financing to public and private agencies providing essential services to the citizens of Michigan).

Peter L. Lemmer is the Commissioner for Michigan Community Service Commission (Michigan state agency that leads the state in volunteer activities to strengthen Michigan communities).

Bethany L. Barker serves on the board of Great Lakes Leadership Academy (non-profit that promotes positive change, economic vitality, and resource conservation).

Melissa A. Stolicker serves as a member of the Board of Trustees for Oakland University (major public university in Michigan offering bachelor's and graduate degrees).

Randy L. Stec serves as a member of the Michigan Wildlife Council (promotes the role that sportsmen and sportswomen play in furthering wildlife conservation in the state of Michigan).

Information related to compensation paid to senior officers is provided in our Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at our office.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS
Information regarding related party transactions is discussed in Note 11 to the accompanying Consolidated Financial Statements.

TRAVEL, SUBSISTENCE, AND OTHER RELATED EXPENSES
Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com
Travis.Jones@greenstonefcs.com

The total directors' travel, subsistence, and other related expenses were $215 thousand, $139 thousand, and $142 thousand in 2015, 2014, and 2013, respectively.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS
No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2016 or at any time during 2015.

MEMBER PRIVACY
The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our association or our members not normally contained in published reports or press releases.

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT
There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2015 were $122 thousand. The fees paid were for audit services.

FINANCIAL STATEMENTS
The "Report of Management", "Report on Internal Control Over Financial Reporting", "Report of Audit Committee", "Independent Auditor's Report", "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS
Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of young, beginning, and small farmers and ranchers as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made,
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less of experience at farming, ranching, or producing or harvesting aquatic products as of the date the loan was originally made, and
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than $250,000 in annual gross sales of agricultural or aquatic products at the time the loan was originally made.

YOUNG, BEGINNING, AND SMALL FARMER DEMOGRAPHICS
The local service area of the association includes the entire state of Michigan and 11 counties in the northeastern part of the state of Wisconsin. Results from the 2012 Census of Agriculture became available in May 2014 and were studied to try and determine the numbers of YBS farmers within our territory.

This most recent Agricultural Census represents the best demographic information available in our territory. Results of this study show the following:

Category	Number	Percent
Number of Farmers 34 and Younger	6,650	10.9%
Number of Farmers on Current Farm Less Than 10 Years	14,291	23.3%
Number of Farmers with Less Than $250,000 Farm Sales	53,987	88.2%
Total Number of YBS Farmers	61,218	

There are several differences in the methods by which the demographic and FCA YBS farmer data is presented:

Young farmers are defined by the FCA as 35 years old or less. The United States Department of Agriculture (USDA) demographic stratification breaks at 34 years. Beginning farmers are defined by the FCA as having 10 years or less farming experience. There is no measurement matching this definition in the USDA Census; however, the census does identify farmers on their current farm less than 10 years. That statistic may include beginning farmers, but may also include experienced farmers who have recently changed farmsteads. The FCA small farmer definition matches closely with the USDA delineation. The USDA Census of Agriculture is the best source of demographic information within the association local service area. Even though the statistical results of the census do not match the FCA definitions exactly, they do provide a consistent source of measurement with which to assess association targets and goals.

DESCRIPTION AND STATUS REPORT ON THE YOUNG, BEGINNING, AND SMALL FARMER PROGRAM

The mission statement of the program is as follows:

"GreenStone Farm Credit Services recognizes the importance of young, beginning, and small farmers to the future of agriculture. The association shall serve the unique needs of this market segment through special lending programs that extend credit in a safe and sound manner for both the individual member and the association. GreenStone also believes in the value of education to prepare these producers to successfully compete in a highly competitive global marketplace and shall support educational opportunities for them that balance the cost of delivery with overall stockholder value."

The association implemented a board approved YBS lending program comprised of separate components for YBS farmers. Relaxed underwriting standards and loan terms have been approved for farm operating loans, farm equipment and intermediate-term loans, and for real estate loans. These standards and terms are customized for young farmers and beginning farmers.

Quantitative targets based upon reasonably reliable demographic data have been established by board policy for YBS farmers. Targets have also been established for the YBS program in an aggregate. The targets are as follows:

Quantitative Targets	Measure	At 12/31/2015
1. Young farmers in portfolio equal to or greater than percentage of young farmers in the census	10.9%	20.0%
2. Young farmer loans at least 50% of the young farmers in census	50.0%	88.7%
3. Young farmers at least 10% total outstanding loan volume	10.0%	14.8%
4. Young farmers at least 10% of all new loans (number)	10.0%	16.0%
5. Beginning farmers at least 10% total number of loans outstanding	10.0%	28.8%
6. Beginning farmers at least 10% of total outstanding loan volume	10.0%	18.7%
7. Beginning farmers at least 10% of all new loans (number)	10.0%	19.7%
8. Small farmers at least 40% of total number of loans outstanding	40.0%	49.9%
9. Small farmers at least 20% of total outstanding loan volume	20.0%	20.9%
10. Small farmers at least 40% of all new loans (number)	40.0%	41.3%
11. Maintain at least 50% of total loan numbers to YBS farmers	50.0%	60.2%
12. Maintain at least 30% of the total outstanding loan volume to YBS farmers	30.0%	32.7%

The association has also established certain qualitative goals addressing its efforts and to implement effective outreach programs to attract YBS farmers. These goals are as follows:

Qualitative Goals	Measure	At 12/31/2015
1. Related services will be offered to YBS farmers in the territory.		
Goals: Book sales of at least one association offered related service to at least 5% of YBS farmers in the association portfolio.	5% Young 5% Beginning 5% Small	6.6% 6.6% 13.7%
2. Credit services and financially related services to YBS farmers will be coordinated with governmental and private sources of credit.		
Goals: Coordinate with the USDA Farm Service Agency (FSA) to enhance credit services to young and beginning farmers by obtaining guarantees on at least 7.5% loans (by number) and to take advantage of the FSA young farmer financing program utilizing private second mortgage financing or other alternative financing options whenever possible.	7.5% Young 7.5% Beg.	6.5% 3.6%
3. We will implement effective outreach programs to attract YBS farmers.		
Goals: (a) Participate in or sponsor annually at least 10 YBS farmer leadership and educational programs offered in either Michigan or Wisconsin.	10 Programs	30 Programs sponsored
(b) Offer at least five individual scholarships to deserving YBS farmers (or potential YBS farmers) to Michigan and/or Wisconsin Universities or Colleges.	5 Scholarships	19 Scholarships offered

All of the association's quantitative and qualitative goals were met in 2015 with the following exception: the use of FSA guarantees on young and beginning farmer loans. The stability of the agricultural economy and lower interest rates reduced the necessity to obtain FSA guarantees on our young and beginning farmer loans.

The association employs the following methods and strategies to ensure that credit and services offered to YBS farmers are provided in a safe and sound manner and within risk-bearing capacity:

- Board policy includes a specific section discussing program safety and soundness under its operating parameters;
- Board policy includes a maximum level of risk for YBS adverse volume originated under the program;
- The association internal audit plan requires periodic auditing of the YBS program, which is done annually in conjunction with the internal credit review. In addition, comprehensive reports are written periodically, the most recent report was as of December 31, 2015; and
- The association internal audit and loan review plan will annually include a selection of YBS loans within its normal selection criteria and assess individual loan credit administration, coding, and loan quality.

FUNDS HELD PROGRAM

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

The Association offers a Funds Held Program ("Funds Held") that provides funds for customers to make advance payments on designated real estate, operating, and intermediate-term loans, pay insurance premiums, taxes, or any other eligible purpose.

PAYMENT APPLICATION: Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due.

ACCOUNT MAXIMUM: The amount in Funds Held may not exceed the unpaid principal balance of the loan.

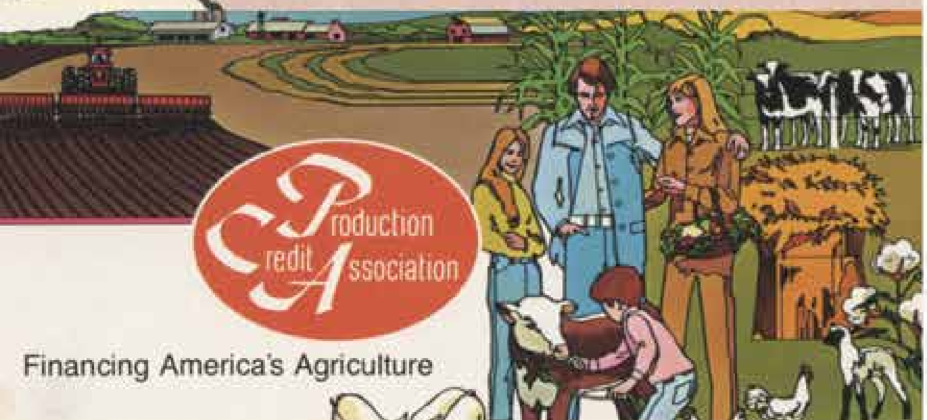
INTEREST RATE: Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan.

Funds Held on real estate loans, operating loans, and intermediate-term loans are paid at a rate of interest equal to 3% (300 basis points) less than the loan rate.

WITHDRAWALS: Money in Funds Held may be withdrawn for the following items: Customers with real estate loans, operating loans, and intermediate-term loans may use funds for future installments, insurance premiums, or real estate taxes on collateral for the respective loan. Customers may make withdrawals for other approved purposes in lieu of increasing the loan amount for any eligible loan purpose.

ASSOCIATION OPTIONS: In the event of default on any loan, if Funds Held exceeds the maximum limit as established above or if the Association discontinues their Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due and shall return any excess funds to the customer.

UNINSURED ACCOUNT: Funds Held is not a depository account and is not insured. In the event of the Association's liquidation, customers having balances in Funds Held shall be notified according to the FCA Regulations.



FARM CREDIT SERVICE | Production Credit Association

annual report

Production Credit Associations

Summary of Operations

Calendar Year 1956

GREENSTONE FARM CREDIT SERVICES

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