

2015 Annual Report



Progressive Farm Credit Services, ACA

Honoring
the past...



Supporting
the present...



Preparing for
the future...



**A Century of Support for Rural
Communities and Agriculture**

And We're Just Getting Started



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Progressive Farm Credit Services, ACA

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AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in Progressive Farm Credit Services, ACA. To request free copies of the AgriBank and 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.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Dear Progressive Farm Credit Services Stockholders,

As your new CEO, I am pleased to report to you that your association is financially strong and is well positioned to handle the challenges of a stressed agriculture economy. In 2015 Progressive FCS had strong earnings exceeding \$12.7 million, and in January we were able to return \$5.25 million to our borrowers in patronage refunds. This year's patronage refund equated to a weighted average 0.98% interest refund on the aggregate outstanding patronage loan pool in 2015.

Beyond the association's strong earnings, capital, and credit quality, which are outlined in this report, we are extremely blessed in the knowledge and experience of our employees. Your new senior leadership team, consisting of Chief Operating Officer Chad Crow, Chief Credit Officer Bill Comstock, Chief Financial Officer Vern Griffith, and myself, has a combined 120 years of experience in agribusiness, agricultural lending and financial institution leadership. Additionally, our branch office and other corporate office employees are very experienced, many of whom have over 20 years Farm Credit tenure. Together, we have experienced many ups and downs in the agricultural economy and we know that this is the nature of our industry.

As we discussed during our annual customer appreciation events in late January, our financial strength and employee knowledge, together with strong communication with our borrowers, enables significant flexibility to manage through a downturn in the agricultural economy. We are working hard to help borrowers not just to strive to get by, but to thrive in the future when farm expenses readjust to a more normal relationship with revenues, as they inevitably will.

Already in 2016 we have several major initiatives underway to strengthen our ability to serve our borrowers and insurance customers even better. One such initiative is developing more credit analysis skills within – and collaboratively between – branch offices. This will help our loan officers and branch managers to focus most effectively on direct customer contact, and on other important activities.

Another initiative this year is development of more processing support for our Risk Management Specialists within our branch offices so that the Specialists can spend more quality time with their crop and life insurance customers and prospects.

Also, we are transitioning during 2016 to an electronic document management system, called eDocs. While it will be far from "paperless", our ability to save documents electronically, in an organized system that will provide very efficient search and retrieval, will greatly improve our overall efficiency in the long run. We are currently in the beginning stages of this project and hope to have it substantially implemented by the end of 2016.

We know that you, as borrowers and insurance customers, are sharpening your pencils now more than ever before in order to be successful going forward. Likewise, we are doing the same to provide the best possible agricultural financing products and risk management services to you as economically as possible.

We thank you for your business and support, and look forward to seeing you whenever possible.

Best wishes for a healthy and prosperous 2016.



Bob Smith
President and Chief Executive Officer
Progressive Farm Credit Services, ACA

March 8, 2016

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Progressive Farm Credit Services, ACA

(dollars in thousands)

	2015	2014	2013	2012	2011
Statement of Condition Data					
Loans	\$ 582,111	\$ 573,994	\$ 551,478	\$ 527,074	\$ 463,973
Allowance for loan losses	452	457	382	517	768
Net loans	581,659	573,537	551,096	526,557	463,205
Investment in AgriBank, FCB	11,090	11,409	11,726	11,673	11,090
Investment securities	3,326	4,272	5,472	6,764	8,183
Other assets	13,384	13,175	12,350	12,217	12,911
Total assets	\$ 609,459	\$ 602,393	\$ 580,644	\$ 557,211	\$ 495,389
Obligations with maturities of one year or less	\$ 481,791	\$ 482,244	\$ 469,089	\$ 453,843	\$ 400,490
Total liabilities	481,791	482,244	469,089	453,843	400,490
Protected members' equity	--	1	1	1	2
Capital stock and participation certificates	1,742	1,756	1,811	1,818	1,792
Unallocated surplus	125,926	118,392	109,743	101,549	93,105
Total members' equity	127,668	120,149	111,555	103,368	94,899
Total liabilities and members' equity	\$ 609,459	\$ 602,393	\$ 580,644	\$ 557,211	\$ 495,389
Statement of Income Data					
Net interest income	\$ 18,224	\$ 17,891	\$ 16,727	\$ 15,622	\$ 15,163
(Reversal of) provision for loan losses	(9)	83	(136)	(242)	110
Other expenses, net	(5,449)	(4,059)	(4,572)	(3,436)	(2,999)
Net income	\$ 12,784	\$ 13,749	\$ 12,291	\$ 12,428	\$ 12,054
Key Financial Ratios					
Return on average assets	2.1%	2.3%	2.2%	2.4%	2.4%
Return on average members' equity	10.3%	11.9%	11.5%	12.6%	13.3%
Net interest income as a percentage of average earning assets	3.2%	3.2%	3.2%	3.1%	3.2%
Members' equity as a percentage of total assets	20.9%	19.9%	19.2%	18.6%	19.2%
Net charge-offs (recoveries) as a percentage of average loans	0.0%	0.0%	0.0%	0.0%	0.0%
Allowance for loan losses as a percentage of loans	0.1%	0.1%	0.1%	0.1%	0.2%
Permanent capital ratio	19.5%	17.8%	17.2%	16.3%	16.3%
Total surplus ratio	19.2%	17.5%	16.9%	16.0%	16.0%
Core surplus ratio	19.2%	17.5%	16.9%	16.0%	16.0%
Net Income Distributed					
Patronage distributions:					
Cash	\$ 5,100	\$ 4,100	\$ 3,997	\$ 3,734	\$ 1,500

MANAGEMENT'S DISCUSSION AND ANALYSIS

Progressive Farm Credit Services, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Progressive Farm Credit Services, ACA (the Association) and its subsidiaries, Progressive Farm Credit Services, FLCA and Progressive 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 74 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). Progressive 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", 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

The wet cool spring delayed most 2015 planting activities. Warm and relatively dry weather in the fall enabled a timely harvest and some field work for next year.

Commodity prices were down approximately 10-20% from a year ago, which put additional stress on producer margins. However, most producers have sufficient net worth and rebalancing capacity to absorb the current imbalance between revenues and expenses.

LOAN PORTFOLIO

Loan Portfolio

Total loans were \$582.1 million at December 31, 2015, an increase of \$8.1 million from December 31, 2014.

Components of Loans

(in thousands)			
As of December 31	2015	2014	2013
Accrual loans:			
Real estate mortgage	\$ 326,768	\$ 311,439	\$ 310,668
Production and intermediate term	218,649	220,253	205,010
Agribusiness	6,632	11,297	10,307
Other	29,476	30,415	25,475
Nonaccrual loans	586	590	18
Total loans	\$ 582,111	\$ 573,994	\$ 551,478

The other category is comprised of certain assets originated under our mission related investment authority as well as rural residential real estate loans.

The increase in total loans from December 31, 2014 resulted primarily from strong originations in our real estate mortgage portfolio, which was partially offset by decreases in our production and intermediate term equipment loans and agribusiness.

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

Portfolio Distribution

We are chartered to serve certain counties in Missouri. Approximately 84.3% of our total loan portfolio was in Stoddard, Butler, Dunklin, Scott, New Madrid, Mississippi, and Cape Girardeau counties at December 31, 2015.

Agricultural concentrations exceeding 5.0% of our portfolio at December 31, 2015 included: cotton 21.7%, corn 19.6%, rice 16.3%, and soybeans 18.3%. Additional commodity concentration information is included in Note 3.

Our production and intermediate term loan portfolio shows some seasonality. Borrowings increase throughout the planting and growing seasons to meet farmers' operating and capital needs. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs.

Portfolio Credit Quality

The credit quality of our portfolio improved slightly from December 31, 2014. Adversely classified loans decreased to 0.6% of the portfolio at December 31, 2015, from 0.7% of the portfolio at December 31, 2014. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At December 31, 2015, \$56.1 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Risk assets are comprised of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due (accruing loans include accrued interest receivable), and other property owned.

Components of Risk Assets

(dollars in thousands)

As of December 31	2015	2014	2013
Loans:			
Nonaccrual	\$ 586	\$ 590	\$ 18
Accruing restructured	--	--	--
Accruing loans 90 days or more past due	928	--	--
Total risk loans	1,514	590	18
Other property owned	--	--	--
Total risk assets	\$ 1,514	\$ 590	\$ 18
Total risk loans as a percentage of total loans	0.3%	0.1%	--
Nonaccrual loans as a percentage of total loans	0.1%	0.1%	--
Total delinquencies as a percentage of total loans	0.5%	0.2%	0.3%

Our risk assets have increased from December 31, 2014, but remain at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loans remained at an acceptable level at December 31, 2015, 2014, and 2013, and 95.6% of our nonaccrual loans were current at December 31, 2015. All of our nonaccrual loans were current as of December 31, 2014, and 2013.

The increase in accruing loans 90 days or more past due was primarily due to two mission related investment loans to a single borrower becoming more than 90 days past due. The loans, both principal and accrued interest, are 100% guaranteed by the United States Department of Agriculture and therefore remain in accrual 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 collection. Based on our analysis, all accruing loans 90 days or more past due were eligible to remain in accruing status.

The increase in total delinquencies as a percentage of total loans was primarily due to the increase in accruing loans 90 days or more past due as described above.

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	0.1%	0.1%	0.1%
Nonaccrual loans	77.1%	77.5%	2122.2%
Total risk loans	29.9%	77.5%	2122.2%
Net charge-offs (recoveries) as a percentage of average loans	0.0%	0.0%	0.0%
Adverse assets to risk funds	3.0%	2.0%	2.0%

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, 10, 11, and 12 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans, we hold investment securities. Investment securities totaled \$3.3 million, \$4.3 million, and \$5.5 million at December 31, 2015, 2014, and 2013, respectively. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration.

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	\$ 12,784	\$ 13,749	\$ 12,291
Return on average assets	2.1%	2.3%	2.2%
Return on average members' equity	10.3%	11.9%	11.5%

Changes in these ratios relate directly to:

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

Changes in Significant Components of Net Income

(in thousands)

	For the year ended December 31			Increase (decrease) in net income	
	2015	2014	2013	2015 vs 2014	2014 vs 2013
Net interest income	\$ 18,224	\$ 17,891	\$ 16,727	\$ 333	\$ 1,164
(Reversal of) provision for loan losses	(9)	83	(136)	92	(219)
Patronage income	1,231	1,572	1,530	(341)	42
Other income, net	1,215	1,484	1,326	(269)	158
Operating expenses	7,915	7,120	7,387	(795)	267
(Benefit from) provision for income taxes	(20)	(5)	41	15	46
Net income	\$ 12,784	\$ 13,749	\$ 12,291	\$ (965)	\$ 1,458

Net Interest Income

Changes in Net Interest Income

(in thousands)	2015 vs 2014	2014 vs 2013
Changes in volume	\$ 462	\$ 1,107
Changes in interest rates	(159)	72
Changes in nonaccrual income and other	30	(15)
Net change	\$ 333	\$ 1,164

Net interest income included income on nonaccrual loans that totaled \$55 thousand, \$25 thousand, and \$40 thousand 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 3.2% in 2015, 2014, and 2013. We expect margins to compress in the future if interest rates continue to rise and competition increases.

(Reversal of) Provision for Loan Losses

The fluctuation in the (reversal of) provision for loan losses is related to our estimate of losses in our portfolio for the applicable years. The reversal of loan losses in 2015 was due to partial reversals of specific reserves and recoveries received during the year, which were offset by changes in the estimate of losses in our portfolio.

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 basis points, 33.5 basis points, and 34.5 basis points in 2015, 2014, and 2013, respectively. We recorded patronage income of \$1.2 million, \$1.6 million, and \$1.5 million in 2015, 2014, and 2013, respectively.

We received another component of patronage, referred to as equalization income, from AgriBank. The quarterly average balance of any excess stock investment in AgriBank is used to determine this amount. Additionally, we earn equalization on any stock investment in AgriBank required to be held when our growth exceeds a targeted growth rate. The equalization rate is targeted at the average cost of funds for all affiliated Associations as a group. Equalization income totaled \$10 thousand, \$13 thousand, and \$8 thousand in 2015, 2014, and 2013, respectively.

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

Other Income

The change in other income is primarily due to a decrease in financially related services income mainly related to multi-peril crop insurance.

Operating Expenses

Components of Operating Expenses

(dollars in thousands)	2015	2014	2013
For the year ended December 31			
Salaries and employee benefits	\$ 5,208	\$ 4,592	\$ 4,843
Purchased and vendor services	796	760	778
Communications	65	62	57
Occupancy and equipment	444	432	451
Advertising and promotion	216	190	308
Examination	187	185	179
Farm Credit System insurance	592	543	419
Other	407	356	352
Total operating expenses	\$ 7,915	\$ 7,120	\$ 7,387
Operating rate	1.4%	1.3%	1.4%

The operating expense increases were primarily related to increases in salaries and employee benefits expense, which included an increase in pension expense of approximately \$250 thousand.

FCSIC insurance expense increased in 2015 primarily due to 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 is related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2015, 2014, and 2013. Additional discussion is included in Note 8 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 6 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 \$153.2 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	\$ 467,681	\$ 464,528	\$ 439,102
Average interest rate	1.4%	1.4%	1.3%

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 \$19.5 million, \$8.6 million, and \$3.6 million at December 31, 2015, 2014, and 2013, respectively. We paid Farmer Mac commitment fees totaling \$40 thousand, \$30 thousand, and \$14 thousand in 2015, 2014, and 2013, respectively. These amounts are included in "Miscellaneous income, net" 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 \$7.5 million from December 31, 2014, primarily due to net income for the year, which was partially offset by patronage distribution accruals.

Members' Equity Position Information

(dollars in thousands)	Regulatory			
As of December 31	Minimums	2015	2014	2013
Members' equity		\$ 127,668	\$ 120,149	\$ 111,555
Surplus as a percentage of members' equity		98.6%	98.5%	98.4%
Permanent capital ratio	7.0%	19.5%	17.8%	17.2%
Total surplus ratio	7.0%	19.2%	17.5%	16.9%
Core surplus ratio	3.5%	19.2%	17.5%	16.9%

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 7 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum permanent capital target minimum. 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 minimum was 13%.

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 7 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 6 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. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset Liability Committee.

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.

At December 31, 2015, our entire investment in AgriBank consisted of stock representing distributed AgriBank surplus. 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.

Patronage

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

- Patronage on our note payable with AgriBank
- Equalization income based on our excess stock or growth required stock investment in AgriBank

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

Purchased Services

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

The total cost of services we purchased from AgriBank was \$445 thousand, \$466 thousand, and \$476 thousand in 2015, 2014, and 2013, respectively.

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

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.

Insight Technology Unit: We participate in the Insight Technology Unit (ITU) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit to our borrowers. ITU is governed by representatives of each participating association. The expenses are shared pro rata based on the number of loans and leases of each participant.

CoBank, ACB: We had a relationship with CoBank, ACB (CoBank), a System bank, which involved purchasing or selling participation interests in loans. This relationship is no longer active and we redeemed our equity investment in CoBank. Our equity investment in CoBank was \$1 thousand at December 31, 2014, and 2013. CoBank provides direct loan funds to associations in its chartered territory and makes loans to cooperatives and other eligible borrowers.

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 \$11 thousand. The total cost of services we purchased from Foundations was \$77 thousand, \$64 thousand, and \$68 thousand in 2015, 2014, and 2013, respectively.

Unincorporated Business Entities (UBEs)

Choice Ethanol Holdings, LLC: Choice Ethanol Holdings, LLC (Choice) was created to own the assets of an ethanol plant acquired from a troubled borrower in 2013. All membership interests in Choice were sold in a stock sale in June 2013. After the sale, Choice was subsequently dissolved.

Programs

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

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.

Agriculture and Rural Community Bond Program: We participated in the Agriculture and Rural Community (ARC) Bond Program authorized during 2006 by the FCA in order to meet the changing needs of agriculture and rural America by making investments that support farmers, ranchers, agribusinesses, and their rural communities and businesses. The FCA Board voted to conclude the program effective December 31, 2014. The Board's action permits each System institution to hold its ARC Bond Program investments through the maturity dates for the investments, provided the institution continues to meet all approval conditions. The ARC Bond Program is part of our mission related investments. These investments will help to increase rural communities' and businesses' well-being and prosperity by providing an adequate flow of capital into rural areas. We had \$48 thousand, \$69 thousand, and \$173 thousand of volume under this program at December 31, 2015, 2014, and 2013, respectively.

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

Progressive Farm Credit Services, ACA



We prepare the Consolidated Financial Statements of Progressive 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.



Markel D. Yarbro
Chairperson of the Board
Progressive Farm Credit Services, ACA



Robert E. Smith
Chief Executive Officer
Progressive Farm Credit Services, ACA



Vernon D. Griffith
Chief Financial Officer
Progressive Farm Credit Services, ACA

March 8, 2016

REPORT OF AUDIT COMMITTEE

Progressive Farm Credit Services, ACA



The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of Progressive 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.



Phillip M. Showmaker
Chairperson of the Audit Committee
Progressive Farm Credit Services, ACA

Audit Committee Members:

Michael Aufdenberg
Jennifer Hendrickson
Ed C. Marshall III
Darrell Nichols
James Priggel
John Robinson
Marty Vancil
Markel D. Yarbrow

March 8, 2016



Independent Auditor's Report

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

We have audited the accompanying Consolidated Financial Statements of Progressive 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 Progressive 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

Progressive Farm Credit Services, ACA

(in thousands)

As of December 31	2015	2014	2013
ASSETS			
Loans	\$ 582,111	\$ 573,994	\$ 551,478
Allowance for loan losses	452	457	382
Net loans	581,659	573,537	551,096
Investment in AgriBank, FCB	11,090	11,409	11,726
Investment securities	3,326	4,272	5,472
Accrued interest receivable	9,326	8,708	7,773
Deferred tax assets, net	298	277	272
Other assets	3,760	4,190	4,305
Total assets	\$ 609,459	\$ 602,393	\$ 580,644
LIABILITIES			
Note payable to AgriBank, FCB	\$ 469,764	\$ 472,701	\$ 460,631
Accrued interest payable	1,795	1,735	1,570
Patronage distribution payable	5,250	5,100	4,100
Other liabilities	4,982	2,708	2,788
Total liabilities	481,791	482,244	469,089
Contingencies and commitments (Note 11)			
MEMBERS' EQUITY			
Protected members' equity	--	1	1
Capital stock and participation certificates	1,742	1,756	1,811
Unallocated surplus	125,926	118,392	109,743
Total members' equity	127,668	120,149	111,555
Total liabilities and members' equity	\$ 609,459	\$ 602,393	\$ 580,644

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

CONSOLIDATED STATEMENTS OF INCOME

Progressive Farm Credit Services, ACA

(in thousands)

For the year ended December 31	2015	2014	2013
Interest income	\$ 24,987	\$ 24,477	\$ 22,568
Interest expense	6,763	6,586	5,841
Net interest income	18,224	17,891	16,727
(Reversal of) provision for loan losses	(9)	83	(136)
Net interest income after (reversal of) provision for loan losses	18,233	17,808	16,863
Other income			
Patronage income	1,231	1,572	1,530
Financially related services income	1,172	1,400	1,283
Fee (expense) income, net	(14)	4	(2)
Miscellaneous income, net	57	80	45
Total other income	2,446	3,056	2,856
Operating expenses			
Salaries and employee benefits	5,208	4,592	4,843
Other operating expenses	2,707	2,528	2,544
Total operating expenses	7,915	7,120	7,387
Income before income taxes	12,764	13,744	12,332
(Benefit from) provision for income taxes	(20)	(5)	41
Net income	\$ 12,784	\$ 13,749	\$ 12,291

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Progressive 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	\$ 1	\$ 1,818	\$ 101,549	\$ 103,368
Net income	--	--	12,291	12,291
Unallocated surplus designated for patronage distributions	--	--	(4,097)	(4,097)
Capital stock and participation certificates issued	--	139	--	139
Capital stock and participation certificates retired	--	(146)	--	(146)
Balance as of December 31, 2013	1	1,811	109,743	111,555
Net income	--	--	13,749	13,749
Unallocated surplus designated for patronage distributions	--	--	(5,100)	(5,100)
Capital stock and participation certificates issued	--	91	--	91
Capital stock and participation certificates retired	--	(146)	--	(146)
Balance as of December 31, 2014	1	1,756	118,392	120,149
Net income	--	--	12,784	12,784
Unallocated surplus designated for patronage distributions	--	--	(5,250)	(5,250)
Capital stock and participation certificates issued	--	100	--	100
Capital stock and participation certificates retired	(1)	(114)	--	(115)
Balance as of December 31, 2015	\$ --	\$ 1,742	\$ 125,926	\$ 127,668

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Progressive Farm Credit Services, ACA

(in thousands)

For the year ended December 31	2015	2014	2013
Cash flows from operating activities			
Net income	\$ 12,784	\$ 13,749	\$ 12,291
Depreciation on premises and equipment	189	194	201
Gain on sale of premises and equipment	(19)	(3)	(112)
Amortization of premiums on loans and investment securities	754	545	552
(Reversal of) provision for loan losses	(9)	83	(136)
Stock patronage received from Farm Credit Institutions	--	(839)	(9)
Loss on other property owned	--	--	86
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	(621)	(935)	(218)
Decrease (increase) in other assets	260	(8)	36
Increase in accrued interest payable	60	165	60
Increase (decrease) in other liabilities	2,274	(80)	426
Net cash provided by operating activities	15,672	12,871	13,177
Cash flows from investing activities			
Increase in loans, net	(8,835)	(23,037)	(25,162)
Redemptions (purchases) of investment in AgriBank, FCB, net	319	1,156	(44)
Redemptions of investment in other Farm Credit Institutions, net	1	--	--
Decrease in investment securities, net	946	1,200	1,291
Proceeds from sales of other property owned	--	--	180
Purchases of premises and equipment, net	(22)	(72)	(40)
Net cash used in investing activities	(7,591)	(20,753)	(23,775)
Cash flows from financing activities			
(Decrease) increase in note payable to AgriBank, FCB, net	(2,937)	12,070	14,660
Patronage distributions paid	(5,100)	(4,100)	(3,997)
Capital stock and participation certificates retired, net	(44)	(88)	(65)
Net cash (used in) provided by financing activities	(8,081)	7,882	10,598
Net change in cash	--	--	--
Cash at beginning of year	--	--	--
Cash at end of year	\$ --	\$ --	\$ --
Supplemental schedule of non-cash activities			
Stock financed by loan activities	\$ 78	\$ 70	\$ 104
Stock applied against loan principal	49	37	46
Interest transferred to loans	3	--	--
Loans transferred to other property owned	--	--	266
Patronage distributions payable to members	5,250	5,100	4,100
Supplemental information			
Interest paid	\$ 6,703	\$ 6,421	\$ 5,781
Taxes paid	2	3	6

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Progressive 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 74 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 17 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

Progressive Farm Credit Services, ACA (the Association) and its subsidiaries, Progressive Farm Credit Services, FLCA and Progressive 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 counties Bolinger, Butler, Cape Girardeau, Carter, Dunklin, Mississippi, New Madrid, Pemiscot, Ripley, Scott, Stoddard, and Wayne in the state of Missouri.

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.

We offer credit life, term life, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow.

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 Progressive 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. Origination 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 consist of provision activity, recorded in "(Reversal of) provision for loan losses" in the Consolidated Statements of Income, 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 and is included in "Other assets" in the Consolidated Statements of Condition. 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 and maintenance and repair expenses are included in "Other operating expenses" in the Consolidated Statements of Income and improvements are capitalized.

Other Property Owned: Other property owned, 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 and is included in "Other assets" in the Consolidated Statements of Condition. 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 "Miscellaneous income, net" in the Consolidated Statements of Income. We had no other property owned at December 31, 2015, 2014, or 2013.

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.

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.

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.

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.

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. 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 disbursement 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 credit losses" in the Consolidated Statements of Income. However, no such reserve was necessary as of December 31, 2015, 2014, or 2013.

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 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

Loans by Type

(dollars in thousands) As of December 31	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 327,326	56.2%	\$ 312,029	54.4%	\$ 310,668	56.3%
Production and intermediate term	218,672	37.6%	220,253	38.4%	205,028	37.2%
Agribusiness	6,632	1.1%	11,297	2.0%	10,307	1.9%
Other	29,481	5.1%	30,415	5.2%	25,475	4.6%
Total	\$ 582,111	100.0%	\$ 573,994	100.0%	\$ 551,478	100.0%

The other category is comprised of certain assets originated under our mission related investment authority as well as rural residential real estate loans.

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 11.8% of total loans and commitments.

Agricultural Concentrations

As of December 31	2015	2014	2013
Cotton	21.7%	22.9%	26.8%
Corn	19.6%	20.7%	22.2%
Soybeans	18.3%	15.8%	17.4%
Rice	16.3%	17.3%	17.6%
Landlords	4.5%	2.6%	2.5%
Beef	3.7%	3.9%	4.1%
Processing and marketing	2.3%	3.0%	2.5%
Other	13.6%	13.9%	7.1%
Total	100.0%	100.0%	100.0%

We are chartered to serve certain counties in Missouri. Approximately 84.3% of our total loan portfolio was in Stoddard, Butler, Dunklin, Scott, New Madrid, Mississippi, and Cape Girardeau counties at December 31, 2015.

While these concentrations represent our maximum potential credit risk, as it relates to recorded loan principal, a substantial portion 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 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		Other Farm Credit Institutions		Total	
	Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
As of December 31, 2015						
Real estate mortgage	\$ --	\$ --	\$ --	\$ (4,272)	\$ --	\$ (4,272)
Production and intermediate term	--	--	--	(1,239)	--	(1,239)
Agribusiness	--	--	1,586	--	1,586	--
Total	\$ --	\$ --	\$ 1,586	\$ (5,511)	\$ 1,586	\$ (5,511)
As of December 31, 2014						
Real estate mortgage	\$ --	\$ --	\$ 175	\$ (2,746)	\$ 175	\$ (2,746)
Production and intermediate term	--	(3,497)	--	(1,033)	--	(4,530)
Agribusiness	--	(3,084)	1,752	--	1,752	(3,084)
Total	\$ --	\$ (6,581)	\$ 1,927	\$ (3,779)	\$ 1,927	\$ (10,360)
As of December 31, 2013						
Real estate mortgage	\$ --	\$ --	\$ 511	\$ (3,890)	\$ 511	\$ (3,890)
Production and intermediate term	--	(1,636)	--	(1,536)	--	(3,172)
Agribusiness	--	(2,709)	3,931	--	3,931	(2,709)
Total	\$ --	\$ (4,345)	\$ 4,442	\$ (5,426)	\$ 4,442	\$ (9,771)

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)

	Acceptable		OAEM		Substandard/ Doubtful		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31, 2015								
Real estate mortgage	\$ 319,226	96.0%	\$ 10,746	3.2%	\$ 2,690	0.8%	\$ 332,662	100.0%
Production and intermediate term	210,541	94.7%	11,094	5.0%	771	0.3%	222,406	100.0%
Agribusiness	5,653	84.2%	1,062	15.8%	--	--	6,715	100.0%
Other	29,629	100.0%	--	--	6	--	29,635	100.0%
Total	\$ 565,049	95.5%	\$ 22,902	3.9%	\$ 3,467	0.6%	\$ 591,418	100.0%

	Acceptable		OAEM		Substandard/ Doubtful		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31, 2014								
Real estate mortgage	\$ 308,835	97.6%	\$ 5,479	1.7%	\$ 2,254	0.7%	\$ 316,568	100.0%
Production and intermediate term	217,229	97.0%	4,972	2.2%	1,856	0.8%	224,057	100.0%
Agribusiness	11,509	100.0%	--	--	--	--	11,509	100.0%
Other	30,544	100.0%	--	--	--	--	30,544	100.0%
Total	<u>\$ 568,117</u>	<u>97.5%</u>	<u>\$ 10,451</u>	<u>1.8%</u>	<u>\$ 4,110</u>	<u>0.7%</u>	<u>\$ 582,678</u>	<u>100.0%</u>
As of December 31, 2013								
Real estate mortgage	\$ 311,716	99.0%	\$ 1,332	0.4%	\$ 1,751	0.6%	\$ 314,799	100.0%
Production and intermediate term	205,068	98.4%	3,186	1.5%	140	0.1%	208,394	100.0%
Agribusiness	10,416	100.0%	--	--	--	--	10,416	100.0%
Other	25,432	77.1%	134	17.1%	45	5.8%	25,611	100.0%
Total	<u>\$ 552,632</u>	<u>98.8%</u>	<u>\$ 4,652</u>	<u>0.8%</u>	<u>\$ 1,936</u>	<u>0.4%</u>	<u>\$ 559,220</u>	<u>100.0%</u>

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands)

	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	
As of December 31, 2015												
Real estate mortgage	\$ 275	\$ 21	\$ 296	\$ 332,366	\$ 332,662	\$ --						
Production and intermediate term	26	--	26	222,380	222,406	--						
Agribusiness	--	--	--	6,715	6,715	--						
Other	1,805	928	2,733	26,902	29,635	928						
Total	<u>\$ 2,106</u>	<u>\$ 949</u>	<u>\$ 3,055</u>	<u>\$ 588,363</u>	<u>\$ 591,418</u>	<u>\$ 928</u>						
As of December 31, 2014												
Real estate mortgage	\$ 280	\$ --	\$ 280	\$ 316,288	\$ 316,568	\$ --						
Production and intermediate term	2	--	2	224,055	224,057	--						
Agribusiness	--	--	--	11,509	11,509	--						
Other	1,001	--	1,001	29,543	30,544	--						
Total	<u>\$ 1,283</u>	<u>\$ --</u>	<u>\$ 1,283</u>	<u>\$ 581,395</u>	<u>\$ 582,678</u>	<u>\$ --</u>						
As of December 31, 2013												
Real estate mortgage	\$ 587	\$ --	\$ 587	\$ 314,212	\$ 314,799	\$ --						
Production and intermediate term	83	--	83	208,311	208,394	--						
Agribusiness	--	--	--	10,416	10,416	--						
Other	1,116	--	1,116	24,495	25,611	--						
Total	<u>\$ 1,786</u>	<u>\$ --</u>	<u>\$ 1,786</u>	<u>\$ 557,434</u>	<u>\$ 559,220</u>	<u>\$ --</u>						

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	\$ 560	\$ 590	\$ 18
Past due	26	--	--
Total nonaccrual loans	586	590	18
Accruing restructured loans	--	--	--
Accruing loans 90 days or more past due	928	--	--
Total risk loans	\$ 1,514	\$ 590	\$ 18
Volume with specific reserves	\$ 521	\$ 590	\$ 4
Volume without specific reserves	993	--	14
Total risk loans	\$ 1,514	\$ 590	\$ 18
Total specific reserves	\$ 35	\$ 75	\$ 1
For the year ended December 31			
	2015	2014	2013
Income on accrual risk loans	\$ 21	\$ 13	\$ 6
Income on nonaccrual loans	55	25	40
Total income on risk loans	\$ 76	\$ 38	\$ 46
Average recorded risk loans	\$ 1,052	\$ 786	\$ 331

The increase in accruing loans 90 days or more past due was primarily due to two mission related investment loans to a single borrower becoming more than 90 days past due. The loans, both principal and accrued interest, are 100% guaranteed by the United States Department of Agriculture and therefore remain in accrual 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 \$19.5 million, \$8.6 million, and \$3.8 million at December 31, 2015, 2014, and 2013, respectively. Fees paid to Farmer Mac for these commitments totaled \$40 thousand, \$30 thousand, and \$14 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	\$ 557	\$ 590	\$ --
Production and intermediate term	23	--	18
Other	6	--	--
Total	\$ 586	\$ 590	\$ 18

There were \$928 thousand of loans originated under our mission related investment authority 90 days or more past due and accruing interest at December 31, 2015. There were no loans 90 days past due and accruing interest at December 31, 2014, or 2013. All loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

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	\$ 521	\$ 608	\$ 35	\$ 548	\$ --
Production and intermediate term	--	--	--	--	--
Agribusiness	--	--	--	--	--
Other	--	--	--	--	--
Total	<u>\$ 521</u>	<u>\$ 608</u>	<u>\$ 35</u>	<u>\$ 548</u>	<u>\$ --</u>
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 36	\$ 37	\$ --	\$ 38	\$ 33
Production and intermediate term	23	558	--	33	22
Agribusiness	--	--	--	--	--
Other	934	909	--	433	21
Total	<u>\$ 993</u>	<u>\$ 1,504</u>	<u>\$ --</u>	<u>\$ 504</u>	<u>\$ 76</u>
Total impaired loans:					
Real estate mortgage	\$ 557	\$ 645	\$ 35	\$ 586	\$ 33
Production and intermediate term	23	558	--	33	22
Agribusiness	--	--	--	--	--
Other	934	909	--	433	21
Total	<u>\$ 1,514</u>	<u>\$ 2,112</u>	<u>\$ 35</u>	<u>\$ 1,052</u>	<u>\$ 76</u>
As of 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	\$ 590	\$ 640	\$ 75	\$ 523	\$ --
Production and intermediate term	--	--	--	--	--
Agribusiness	--	--	--	--	--
Other	--	--	--	--	--
Total	<u>\$ 590</u>	<u>\$ 640</u>	<u>\$ 75</u>	<u>\$ 523</u>	<u>\$ --</u>
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ --	\$ --	\$ --	\$ --	\$ 18
Production and intermediate term	--	534	--	7	8
Agribusiness	--	--	--	--	--
Other	--	--	--	256	12
Total	<u>\$ --</u>	<u>\$ 534</u>	<u>\$ --</u>	<u>\$ 263</u>	<u>\$ 38</u>
Total impaired loans:					
Real estate mortgage	\$ 590	\$ 640	\$ 75	\$ 523	\$ 18
Production and intermediate term	--	534	--	7	8
Agribusiness	--	--	--	--	--
Other	--	--	--	256	12
Total	<u>\$ 590</u>	<u>\$ 1,174</u>	<u>\$ 75</u>	<u>\$ 786</u>	<u>\$ 38</u>

	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	\$ --	\$ --	\$ --	\$ --	\$ --
Production and intermediate term	4	4	1	9	--
Agribusiness	--	--	--	--	--
Other	--	--	--	--	--
Total	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 9</u>	<u>\$ --</u>
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ --	\$ --	\$ --	\$ 111	\$ 25
Production and intermediate term	14	533	--	27	7
Agribusiness	--	--	--	73	9
Other	--	--	--	111	5
Total	<u>\$ 14</u>	<u>\$ 533</u>	<u>\$ --</u>	<u>\$ 322</u>	<u>\$ 46</u>
Total impaired loans:					
Real estate mortgage	\$ --	\$ --	\$ --	\$ 111	\$ 25
Production and intermediate term	18	537	1	36	7
Agribusiness	--	--	--	73	9
Other	--	--	--	111	5
Total	<u>\$ 18</u>	<u>\$ 537</u>	<u>\$ 1</u>	<u>\$ 331</u>	<u>\$ 46</u>

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 no commitments to lend additional money to borrowers whose loans were at risk at December 31, 2015.

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.

There was a TDR of a certain real estate mortgage loan during the year ended December 31, 2014. This modification was an interest rate reduction below market. Our recorded investment in this loan just prior to and immediately following the restructuring was \$629 thousand. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off. There were no TDRs that occurred during the years ended December 31, 2015 or 2013.

There were no TDRs that defaulted during the years ended December 31, 2015, 2014, or 2013 in which the modification was within twelve months of the respective reporting period.

TDRs outstanding in the real estate mortgage loan category totaled \$521 thousand and \$590 thousand, all of which were in nonaccrual status at December 31, 2015 and 2014, respectively. There were no TDRs outstanding at December 31, 2013.

There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2015.

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	\$ 457	\$ 382	\$ 517
(Reversal of) provision for loan losses	(9)	83	(136)
Loan recoveries	4	9	5
Loan charge-offs	--	(17)	(4)
Balance at end of year	\$ 452	\$ 457	\$ 382

The decrease in allowance for loan losses was related to \$9 thousand of provision reversal recorded in 2015 reflecting changes in specific reserves and loss estimates.

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	\$ 164	\$ 281	\$ 12	\$ --	\$ 457
(Reversal of) provision for loan losses	(29)	25	(5)	--	(9)
Loan recoveries	4	--	--	--	4
Loan charge-offs	--	--	--	--	--
Balance as of December 31, 2015	\$ 139	\$ 306	\$ 7	\$ --	\$ 452
Ending balance: individually evaluated for impairment	\$ 35	\$ --	\$ --	\$ --	\$ 35
Ending balance: collectively evaluated for impairment	\$ 104	\$ 306	\$ 7	\$ --	\$ 417
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2015	\$ 332,662	\$ 222,406	\$ 6,715	\$ 29,635	\$ 591,418
Ending balance: individually evaluated for impairment	\$ 557	\$ 23	\$ --	\$ 934	\$ 1,514
Ending balance: collectively evaluated for impairment	\$ 332,105	\$ 222,383	\$ 6,715	\$ 28,701	\$ 589,904
Allowance for loan losses:					
Balance as of December 31, 2013	\$ 77	\$ 281	\$ 24	\$ --	\$ 382
Provision for (reversal of) loan losses	82	13	(12)	--	83
Loan recoveries	5	4	--	--	9
Loan charge-offs	--	(17)	--	--	(17)
Balance as of December 31, 2014	\$ 164	\$ 281	\$ 12	\$ --	\$ 457
Ending balance: individually evaluated for impairment	\$ 75	\$ --	\$ --	\$ --	\$ 75
Ending balance: collectively evaluated for impairment	\$ 89	\$ 281	\$ 12	\$ --	\$ 382
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2014	\$ 316,568	\$ 224,057	\$ 11,509	\$ 30,544	\$ 582,678
Ending balance: individually evaluated for impairment	\$ 590	\$ --	\$ --	\$ --	\$ 590
Ending balance: collectively evaluated for impairment	\$ 315,978	\$ 224,057	\$ 11,509	\$ 30,544	\$ 582,088

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2012	\$ 97	\$ 400	\$ 19	\$ 1	\$ 517
(Reversal of) provision for loan losses	(25)	(115)	5	(1)	(136)
Loan recoveries	5	--	--	--	5
Loan charge-offs	--	(4)	--	--	(4)
Balance as of December 31, 2013	\$ 77	\$ 281	\$ 24	\$ --	\$ 382
Ending balance: individually evaluated for impairment	\$ --	\$ 1	\$ --	\$ --	\$ 1
Ending balance: collectively evaluated for impairment	\$ 77	\$ 280	\$ 24	\$ --	\$ 381
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2013	\$ 314,799	\$ 208,394	\$ 10,416	\$ 25,611	\$ 559,220
Ending balance: individually evaluated for impairment	\$ --	\$ 18	\$ --	\$ --	\$ 18
Ending balance: collectively evaluated for impairment	\$ 314,799	\$ 208,376	\$ 10,416	\$ 25,611	\$ 559,202

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.

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.

Investment in AgriBank

(in thousands)

As of December 31	2015	2014	2013
Required stock investment	\$ 11,079	\$ 11,409	\$ 11,726
Excess stock investment	11	--	--
Total investment	\$ 11,090	\$ 11,409	\$ 11,726

Excess stock investment is recorded when the required investment in AgriBank is lower than our permanent investment. See Note 7 for discussion of the permanent investment.

NOTE 5: INVESTMENT SECURITIES

We held investment securities of \$3.3 million, \$4.3 million, and \$5.5 million at December 31, 2015, 2014, and 2013, respectively. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration.

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

Additional Investment Securities Information

(dollars in thousands)

As of December 31	2015	2014	2013
Amortized cost	\$ 3,326	\$ 4,272	\$ 5,472
Unrealized gains	135	211	302
Unrealized losses	(6)	(4)	(24)
Fair value	\$ 3,455	\$ 4,479	\$ 5,750
Weighted average yield	3.2%	3.3%	3.3%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled \$123 thousand, \$159 thousand, and \$203 thousand in 2015, 2014, and 2013, respectively.

NOTE 6: 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	\$ 625,000	\$ 600,000	\$ 600,000
Outstanding principal under the line of credit	469,764	472,701	460,631
Interest rate	1.5%	1.4%	1.4%

Our note payable matures June 30, 2016 at which time the note will be renegotiated.

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 7: 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 customers to whom a lease is issued and 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 or lease 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.

Regulatory Capitalization Requirements**Select Capital Ratios**

As of December 31	Regulatory Minimums	2015	2014	2013
Permanent capital ratio	7.0%	19.5%	17.8%	17.2%
Total surplus ratio	7.0%	19.2%	17.5%	16.9%
Core surplus ratio	3.5%	19.2%	17.5%	16.9%

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 any investment in AgriBank that is in excess of the required investment under an allotment agreement with AgriBank. We included \$11 thousand of our investment in AgriBank as capital at December 31, 2015. We had no excess stock at December 31, 2014, or 2013. These changes did not have a material impact on our regulatory capital ratios.

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.

As of December 31	Number of Shares		
	2015	2014	2013
Class A common stock (protected)	--	199	231
Class B common stock (at-risk)	2,719	1,919	6,772
Class C common stock (at-risk)	340,925	343,645	352,882
Series 2 participation certificates (at-risk)	4,810	5,610	2,557

Under our bylaws, we are also authorized to issue Class D common stock, Class E common stock, and Class F preferred 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 C 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 the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed first, to holders of preferred stock, and second, pro rata to holders of all classes of common stock and participation certificates.

In the event of impairment, losses will be absorbed first by concurrent impairment of all classes of common stock and participation certificates, then by holders of preferred stock.

All classes of stock 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 \$5.3 million, \$5.1 million, and \$4.1 million at December 31, 2015, 2014, and 2013, respectively. Generally, 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 8: INCOME TAXES

(Benefit from) Provision for Income Taxes

(Benefit from) Provision for Income Taxes			
(dollars in thousands)			
For the year ended December 31	2015	2014	2013
Current:			
Federal	\$ 1	\$ (1)	\$ 7
State	--	1	1
Total current	\$ 1	\$ --	\$ 8
Deferred:			
Federal	\$ (21)	\$ (5)	\$ 33
State	--	--	--
Total deferred	(21)	(5)	33
(Benefit from) provision for income taxes	\$ (20)	\$ (5)	\$ 41
Effective tax rate	(0.2%)	0.0%	0.3%

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	\$ 4,340	\$ 4,673	\$ 4,314
Patronage distributions	(1,120)	(1,239)	(1,148)
Effect of non-taxable entity	(3,234)	(3,388)	(3,102)
Other	(6)	(51)	(23)
(Benefit from) provision for income taxes	\$ (20)	\$ (5)	\$ 41

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	\$ 103	\$ 103	\$ 103
Postretirement benefit accrual	244	246	252
Accrued incentive	120	102	130
Accrued pension asset	(210)	(212)	(202)
Other assets	49	48	--
Other liabilities	(8)	(10)	(11)
Deferred tax assets, net	\$ 298	\$ 277	\$ 272
Gross deferred tax assets	\$ 516	\$ 499	\$ 485
Gross deferred tax liabilities	\$ (218)	\$ (222)	\$ (213)

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 \$10.0 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of \$92.8 million 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 9: 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			
Total plan expense	\$ 63,800	\$ 45,827	\$ 63,270
Our allocated share of plan expenses	756	503	704
Contributions by participating employers	62,722	52,032	59,046
Our allocated share of contributions	744	573	656

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 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 \$694 thousand. 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.

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	\$ 40	\$ 20	\$ 20
Our cash contributions	48	54	60

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%.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Income, were \$159 thousand, \$150 thousand, and \$155 thousand in 2015, 2014, and 2013, respectively. These expenses were equal to our cash contributions for each year.

NOTE 10: 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 Information

(in thousands)	2015	2014	2013
As of December 31:			
Total related party loans	\$ 6,372	\$ 5,930	\$ 4,880
For the year ended December 31:			
Advances to related parties	\$ 6,895	\$ 5,758	\$ 4,552
Repayments by related parties	6,711	4,961	5,446

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 in the preceding chart are related to those considered related parties at year end.

As discussed in Note 6, 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, insurance services, and internal audit services. The total cost of services we purchased from AgriBank was \$445 thousand, \$466 thousand, and \$476 thousand in 2015, 2014, and 2013, respectively.

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 \$11 thousand. The total cost of services purchased from Foundations was \$77 thousand, \$64 thousand, and \$68 thousand in 2015, 2014, and 2013, respectively.

NOTE 11: 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 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. At December 31, 2015, we had commitments to extend credit of \$136.6 million.

Commitments to extend credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend 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 will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. 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 12: 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 Value	Total Gains
	Level 1	Level 2	Level 3		
Impaired loans	\$ --	\$ --	\$ 510	\$ 510	\$ 40
Other property owned	--	--	--	--	--

As of December 31, 2014	Fair Value Measurement Using			Total Fair Value	Total Losses
	Level 1	Level 2	Level 3		
Impaired loans	\$ --	\$ --	\$ 541	\$ 541	\$ (91)
Other property owned	--	--	--	--	--

As of December 31, 2013	Fair Value Measurement Using			Total Fair Value	Total Losses
	Level 1	Level 2	Level 3		
Impaired loans	\$ --	\$ --	\$ 4	\$ 4	\$ (5)
Other property owned	--	--	--	--	(86)

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.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 13: 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

Progressive 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
Sikeston, MO	Owned	Headquarters
Sikeston, MO	Owned	Branch
Mississippi County, MO	Owned	Branch
Dexter, MO	Owned	Branch
Jackson, MO	Owned	Branch
Kennett, MO	Owned	Branch
Portageville, MO	Owned	Branch
Poplar Bluff, MO	Owned	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Notes 11 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 7 to the accompanying Consolidated Financial Statements.

Description of Liabilities

Information regarding liabilities is discussed in Notes 6, 7, 8, 9, and 11 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
Markel D. Yarbro Chairperson Service Began: 08/1998	2013 - 2016	Principal Occupation: Self-employed grain farmer Other Affiliations: Director (Secretary): Ozark Border Electric Coop and Director: M&A Electric Coop Board (both organizations are rural electric cooperatives)
Darrell Nichols Vice-Chairperson Service Began: 08/1996	2014 - 2017	Principal Occupation: Self-employed grain and rice farmer
Michael Aufdenberg Service Began: 08/2012	2015 - 2018	Principal Occupation: Self-employed grain and livestock farmer Other Affiliations: Board Member: SEMO Cattlemen's Association (beef promotion and education)
Jennifer Hendrickson Outside Director Service Began: 04/2013	2015 - 2018	Principal Occupation: Owner and President of Hendrickson Business Advisors, LLC, a business consulting firm and Owner and President of Hendrickson Business Brokers, LLC, a brokerage company Owner of Hendrickson Holdings - a commercial real estate company Other Affiliations: Advisory Director: Center for Innovation and Entrepreneurship, a business support entity located in Cape Girardeau, Missouri
Ed C. Marshall III Service Began: 08/2005	2014 - 2017	Principal Occupation: Self-employed grain farmer Other Affiliations: President: Levee District #3, a special levee maintenance taxing entity located in Mississippi County
James Priggel Service Began: 08/2010	2013 - 2016	Principal Occupation: Self-employed farmer
John Robinson Service Began: 09/1998	2014 - 2017	Principal Occupation: Self-employed grain and cotton farmer Other Affiliations: Board member: Ditch #37, a special drainage ditch taxing entity located in Dexter, Missouri
Phillip M. Showmaker Outside Director Audit Committee Chairperson Service Began: 03/2011	2014 - 2017	Principal Occupation: Partner of Clay, Showmaker and Clay, a CPA firm located in Sikeston, Missouri. Partner of Clay & Showmaker, a financial services company
Marty Vancil Service Began: 08/2012	2015 - 2018	Principal Occupation: Self-employed grain and cotton farmer

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of \$500 per day (effective July 1, 2015; previously \$420) and a per diem rate of \$175 per conference call.

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

Name	Number of Days Served		Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2015
	Board Meetings	Other Official Activities			
Michael Aufdenberg	12.0	2.0	\$ 175	Audit	\$ 6,315
Jennifer Hendrickson	10.0	13.0	350	Audit, Compensation	9,440
Ed C. Marshall III	12.0	3.0	175	Audit	6,390
Darrell Nichols	12.0	7.0	350	Audit, Compensation	7,925
James Priggel	12.0	8.0	350	Audit, Compensation	8,100
John Robinson	12.0	2.0	175	Audit	6,315
Phillip M. Showmaker	11.0	13.0	525	Audit, Compensation	9,775
Marty Vancil	12.0	3.0	175	Audit	6,735
Markel D. Yarbro	11.0	4.0	175	Audit	6,490
					<u>\$ 67,485</u>

Senior Officers

The senior officers (and the date each began his current position) who served as of December 31, 2015, include:

Ronald C. Milbach, Chief Executive Officer (April 1991)
 Robert E. Smith, Incoming Chief Executive Officer (September 2015)
 Vernon D. Griffith, Senior Vice President (SVP)/Chief Financial Officer (November 1991)
 Chad E. Crow, SVP/Chief Operations Officer (October 2015)
 William Comstock, SVP/Chief Credit Officer (October 2015)

As previously announced, Progressive Farm Credit Services CEO Ronald Milbach retired on December 31, 2015; and SVP/Chief Credit Officer Robert Smith was named by the Board of Directors as successor. As part of this transition, former Vice President and Branch Manager Chad Crow was promoted as a senior officer to the position of SVP /Chief Operating Officer and William Comstock was hired as SVP / Chief Credit Officer.

During the past five years:

- Robert Smith served as SVP/Chief Credit Officer.
- Chad Crow also served as Vice President and Branch Manager
- William Comstock served as Chief Relationship Officer at Farm Credit of the Virginias

All other senior officers have held their current positions for the past five years.

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 10 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:

1116 N. Main Street
 Sikeston, MO 63801
 (573) 471-0342
www.progressivefcs.com
progressivefcs@progressivefcs.com

The total directors' travel, subsistence, and other related expenses were \$7 thousand, \$6 thousand, and \$5 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 \$22 thousand. The fees paid were for audit services.

Financial Statements

The "Report of Management", "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

Progressive 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 follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
 - A loan to a “young” or “beginning” borrower qualifies if the young or beginning borrower is obligated on the note or is an owner of the closely held entity financed. A loan to a publicly held entity or other entity that is not closely held does not qualify.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than \$250 thousand in annual gross sales of agricultural or aquatic products.

Demographics

Based on the United States Department of Agriculture (USDA) 2012 Census of Agriculture, 6.17% of the farmers in our 12 county territory are young farmers (up to age 34); 16.46% of the farmers in the territory are beginning farmers (up to 9 years ‘on the present farm’); and 76.70% of the farms are small farms (\$1,000 to \$249,000 gross farm income).

The USDA Census definitions are in parentheses above. Please note that the USDA Census definitions do not exactly match the accepted YBS definitions widely used in the Farm Credit System as listed in the previous section and therefore the Census percentages are not necessarily comparable to the associations’ percentages.

Mission Statement

Young, beginning and small farmers, ranchers and producers or harvesters of aquatic products are valued customers of our Association. It is our mission to provide sound and constructive credit and services to young, beginning and small farmers, ranchers and producers or harvesters of aquatic products to the maximum extent possible consistent with safe and sound business practices and within our risk-bearing capacity.

Quantitative Goals and Results

Below are the 2015 targets and actual results for our young, beginning and small farmers and ranchers program:

2015 Target	2015 Actual Results
15% by Number	19.79% Young Farmers (all existing)
15% by Number	24.26% Young Farmers (new loans in 2015)
10% by Volume	17.58% Young Farmers (all existing)
10% by Volume	21.13% Young Farmers (new loans in 2015)
15% by Number	22.92% Beginning Farmers (all existing)
15% by Number	28.37% Beginning Farmers (new loans in 2015)
10% by Volume	22.61% Beginning Farmers (all existing)
10% by Volume	30.24% Beginning Farmers (new loans in 2015)
15% by Number	39.73% Small Farmers (all existing)
15% by Number	35.72% Small Farmers (new loans in 2015)
10% by Volume	14.60% Small Farmers (all existing)
10% by Volume	9.80% Small Farmers (new loans in 2015)

The following tables detail the level of new business generated in 2015 plus the level of business outstanding as of December 31, 2015, both by number of loans and by volume for young and beginning farmers and ranchers:

Young and Beginning Farmers and Ranchers – Gross New Business During 2015				
Category	Number Of Loans	Percent of Total	Volume Outstanding (in thousands)	Percent of Total
Total gross new loans and commitments made during the year	1,047	100.00%	\$279,772	100.00%
Total loans and commitments made to young farmers and ranchers	254	24.26%	\$59,112	21.13%
Total loans and commitments made to beginning farmers and ranchers	297	28.37%	\$84,614	30.24%

Young and Beginning Farmers and Ranchers – Number/Volume of Loans Outstanding at December 31, 2015				
Category	Number Of Loans	Percent of Total	Volume Outstanding (in thousands)	Percent of Total
Total loans and commitments outstanding at year end	4,022	100.00%	\$718,965	100.00%
Young farmers and ranchers	796	19.79%	\$126,394	17.58%
Beginning farmers and ranchers	922	22.92%	\$162,938	22.61%

The following tables detail the level of new business generated in 2015 plus the level of business outstanding as of December 31, 2015, both by number of loans and by volume for small farmers and ranchers:

Small Farmers and Ranchers - Gross New Business by Loan Size During 2015				
Number/Volume	\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 and greater
Total number of new loans and commitments made during the year	393	148	209	297
Total number of loans made to small farmers and ranchers during the year	247	68	42	17
Number of loans to small farmers and ranchers as a % of total number of loans	62.85%	45.95%	20.10%	5.72%
Total gross loan volume of all new loans and commitments made during the year (in thousands)	\$9,535	\$11,094	\$35,635	\$223,508
Total gross loan volume to small farmers and ranchers (in thousands)	\$5,715	\$4,987	\$6,561	\$10,291
Loan volume to small farmers and ranchers as a % of total gross new loan volume	59.94%	44.95%	18.41%	4.6%

Small Farmers and Ranchers - Number/Volume of Loans Outstanding by Loan Size at December 31, 2015				
Number/Volume Outstanding	\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 and greater
Total loans and commitments outstanding at year end	1,793	664	823	742
Total number of loans to small farmers and ranchers	1,024	269	229	76
Number of loans to small farmers and ranchers as a % of total number of loans	57.11%	40.51%	27.83%	10.24%
Total loan volume outstanding at year end (in thousands)	\$37,917	\$48,207	\$132,131	\$500,710
Total loan volume to small farmers and ranchers (in thousands)	\$19,614	\$17,469	\$35,569	\$32,430
Loan volume to small farmers and ranchers as a % of total loan volume	51.73%	63.24%	26.92%	6.48%

Qualitative Goals and Outreach Programs

We set the following six qualitative goals for 2015:

- Offer credit and related services in coordination with FSA and State programs.
- Offer differential loan underwriting standards
- Make use of loan guarantees, subordinations and co-signers
- Offer business and financial skills training
- Offer insurance products
- Promote use of Missouri Linked Deposit Program funding with lower customer interest rates
- Develop and launch a strategic initiative -- called AgSunrise – That is a subset of YBS, but with special focus on Young and Beginning Farmers and Ranchers

Based on our goals for the young, beginning and small farmers and ranchers program, the results were as follows:

- Sponsored meetings to educate YBS farmers on crop marketing techniques including futures and options
- Sponsored meetings to educate YBS farmers on crop insurance services
- Sponsored meetings tailored to educate YBS farmers on how to join marketing techniques with crop insurance services
- Offered crop protection insurance and life insurance to YBS farmers and discussed the benefits with them individually, in meetings and via radio advertising
- Met with YBS farmers to show them the support that could be made by using FSA 90/10 guarantees
- Shared Farm Financial Checkup results with borrowers
- Met with FSA to obtain information to provide to young farmers on programs that would benefit them, including guarantee and subordination programs
- Counseled YBS farmers in the office on good financial practices
- Ran ads on radio stations pertaining to YBS programs
- Attended semi-annual meetings on the Three Rivers Junior College Ag Committee to discuss educational needs of Ag students
- Offered a streamlined scorecard approval service for small farmers to significantly reduce paperwork
- Encouraged YBS farmers to use marketing consultants, scouting services and financial guidance counselors
- Encouraged YBS farmers to keep adequate financial records and for their accountant to prepare full disclosure year-end financial statements including a Statement of Cash Flows to better analyze and manage their finances
- Member of Kennett Chamber of Commerce Agriculture committee
- Met with FSA officials to identify YBS farmers that may be able to graduate from FSA and qualify for PFCS loans
- Made FSA guaranteed loans with YBS farmers
- Made FSA subordinated loans to YBS farmers and continued to work with the FSA loan officer on possible new loans for them
- Invited and recognized FFA sponsors and officers at annual dinner
- Met goal of developing and launching the AgSunrise program within the association which:
 - Supports and builds relationships with FFA program directors
 - Builds relationship with Farm Service Agency
 - Adapted credit presentation model to address the target segment
 - Provided interest rate discounts, fee waivers, and financial support for the target segment
 - Provide financial support for educational programs for target segment

- Participated in various sponsorships:
 - MO Rice Research Field Day
 - MO Delta Center Field Day
 - Missouri Farm Bureau Foundation for YBS farmers
 - Farmers Recognition Banquet for the Charleston and Kelly High School Districts
 - Meal for SEMO District Ag Teachers meeting
 - Missouri Farm Bureau Foundation golf tournament
 - Several high school athletic teams and events
 - SEMO district fair 4H & FFA livestock show
 - Local FFA Chapters for awards
 - FFA Events
 - University of MO corn production meeting
 - Stoddard County 4H livestock auction
 - Missouri Young Farmer/Young Farmer Wives Tour
 - Farmers Recognition Banquet at Sikeston

Safety and Soundness of the Program

In order to provide for extension of sound and constructive credit to young, beginning, and small farmers and ranchers, consistent with our mission statement and business objectives, we set standards and guidelines related to character, capacity, capital and collateral.

The following standards and guidelines applied to our young, beginning and small farmers and ranchers:

YBS Standards and Guidelines		
Character:	Must be satisfactory	(same as regular standard)
Capacity:	115% Capital debt repayment capacity	(same as regular standard)
Capital:	Liquidity: 0% adjusted working capital divided by average gross income	(vs 15% regular standard)
	Solvency: 40% owners' equity	(vs 50% regular standard)
Collateral:	85% Loan to appraised value (PCA)	(vs 75% regular standard)
	75% Loan to appraised value (FLCA)	(vs 65% regular standard)

As indicated by these standards, primary emphasis will be on the character and capacity standards. Exceptions may be granted if there are offsetting strengths. All terms of repayment or advances will be consistent with our existing lending standards and policy. Obtaining co-signers or guarantors will be encouraged where applicable in order to maintain credit standards, but is not necessarily a requirement. Whenever possible, maximum coordination will occur between us and with governmental and other private sources of credit to provide the best credit package for the customer. Applicants are expected to have the capability to manage and perform at or above average enterprise standards of earnings.

To minimize credit and profit risk exposure when less restrictive minimum credit criteria are required than for other customers, supplemental services or incentives not offered to other customers are available, or qualifying farmers receive preferred interest rates, we have set a maximum portfolio concentration not to exceed 200% of our risk funds. This maximum portfolio concentration is the total outstanding principal balances of loans to young, beginning and small farmers and ranchers which have one or more exceptions to the core underwriting standards for regular loans (ie, 50% owners' equity, 15% working capital divided by average gross income, 115% capital debt repayment capacity, and 75% loan to appraised value for the PCA or 65% loan to appraised value for the FLCA – as traditionally analyzed, or loans scoring less than 200 if scorecard processed).

Management will ensure that loans made under these programs are identified and reported to the Board quarterly and to AgriBank, FCB annually, or more frequently as required. Such reports will provide a summary of actual results compared to the quantitative and qualitative program targets and goals as set forth in our operational and strategic business plan. Reports on these programs will also be provided to regulatory agencies, as required.

FUNDS HELD PROGRAM

Progressive Farm Credit Services, ACA
(Unaudited)

The Association offers a Funds Held Program ("Funds Held") that provides for customers to make advance payments on designated real estate loans and intermediate term loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and customer provide for other limitations.

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. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the customer has specified the funds to be applied as a special or early prepayment of principal.

When a loan installment becomes due, monies in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may not exceed 50% of the unpaid principal balance of the loan.

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest determined by the Association, but may never exceed the interest rate charged on the related loan. The Association may change the interest rate from time to time, and may provide for different rates for different categories of loans.

Interest rates are currently reported on each customer's year end loan statement.

Withdrawals

The Association may permit borrowers to withdraw funds from a voluntary Funds Held account, on an exception basis, up to four times per year. The minimum amount that may be withdrawn at any one time is limited to the lesser of \$500 or the balance remaining in the Funds Held account.

All requests for withdrawal of funds are subject to Association approval.

Association Options

In the event of default on any loan, or if Funds Held exceeds the maximum limit as established above, or if the Association discontinues its 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 Association liquidation, customers having balances in Funds Held shall be notified according to FCA Regulations.

Questions

Please direct any questions regarding Funds Held to your local branch representative.



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