GOLDEN STATE FARM CREDIT

Quarterly Report to Shareholders

September 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited)

The following discussion summarizes the financial position and results of operations of Golden State Farm Credit for the nine months ended September 30, 2016, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2015 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The association financial performance during the first nine months of 2016 was strong and continues building on the momentum of 2015. Loan volumes increased by 10.6% from the same period last year. Credit quality remains very high. Additional investments in staff, systems and controls position us to support growth and meet the needs of California agricultural growers and producers into the future.

Significant challenges to the association and our customers are the ongoing drought and volatility of commodity prices. There are political and environmental risks to the agricultural economy, including ground water regulations. Worldwide, the slowing economy and strength of the dollar are impacting the agricultural sector. We anticipate lower prices for most commodities in 2016. It is uncertain whether this is a short term correction or part of a longer trend. The extended production cycle and increase in permanent plantings create unique risks for our borrowers. The drought, water availability and commodity prices will be monitored closely throughout 2016 and into the future.

LOAN PORTFOLIO

Loans outstanding at September 30, 2016 totaled $1.316 billion, an increase of $99 million, or 8.2%, from loans of $1.216 billion at December 31, 2015. The increase was primarily due to organic growth and several capital market loans purchased in 2016. The portfolio remains well diversified with many commodities. Capital market loans have contributed to our loan diversification and profitability.

OTHER PROPERTY OWNED

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. We had no other property owned at September 30, 2016 or December 31, 2015.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2016 was $17.7 million, an increase of $63 thousand, or 0.4%, from the same period ended one year ago. Net income for the three months ended September 30, 2016 was $6.2 million, an increase of $412 thousand, or 7.1%, from the same period ended one year ago. The quarter and year to date increases in net income are primarily due to increased net interest income from the strong loan growth achieved in 2016.

Net interest income for the nine months ended September 30, 2016 was $25.7 million, an increase of $2.2 million, or 9.2%, compared with September 30, 2015. For the three months ended September 30, 2016 net interest income increased by $858 thousand, or 10.7%. Net interest income increased as a result of higher loan volumes. While there has been a slight narrowing of spreads, net interest margin remained stable.

The provision for credit losses for the nine months ended September 30, 2016 was $778 thousand, an increase of $590 thousand from the same period ended one year ago. The provision for credit losses increased as a result of loan growth and concern for the uncertain effects of the ongoing drought conditions. There have been zero charge-offs in 2016 and credit quality remains exceptionally high.

Noninterest income increased $384 thousand or 10.6% during the first nine months of 2016 compared with the first nine months in 2015. For the quarter, noninterest income increased by $215 thousand. The increase was primarily due to increases in patronage dividends on purchased loans, commissions on insurance sales and other loan fees.

We received mineral income of $3 thousand during 2016; distributed to us quarterly by the Bank.

During the first nine months of 2016, noninterest expense increased $1.9 million to $11.3 million. For the quarter, noninterest expense increased $584 thousand. The increases are primarily due to increases in salary and benefits, purchased information technology, Farm Credit Insurance premium increases and travel and training expenses. The increase in salaries is the result of filling executive positions, selectively adding key positions and accruing incentive obligations throughout the year. Occupancy and equipment expense increased modestly in 2016 as the result of opening an administrative office and relocating the appraisal office.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2016 was $273.8 million, an increase from $261.0 million at December 31, 2015. This increase is due to net income less patronage distributions; with minor adjustments to the retirement obligation and stock issued.

REGULATORY MATTERS

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

- To modernize capital requirements while ensuring that System institutions continue to hold sufficient regulatory capital to fulfill the System's mission as a government sponsored enterprise;
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System;
- To make System regulatory capital requirements more transparent; and
- To meet certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").

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

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

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

The New Capital Regulations also set a minimum tier 1 leverage ratio (tier 1 divided by total assets) of 4 percent, of which at least 1.5 percent must consist of unallocated retained earnings ("URE") and URE equivalents, which are nonqualified allocated equities with certain characteristics of URE.

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

OTHER MATTERS

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

Mike Fry
Chairman of the Board
November 3, 2016

J. Fletcher Monroe
President and Chief Executive Officer
November 3, 2016

Larry Grager
Chief Financial Officer
November 3, 2016

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2016 UNAUDITED	December 31 2015 AUDITED
ASSETS		
Loans	**$ 1,315,505**	$ 1,216,296
Less allowance for loan losses	**3,982**	3,321
Net loans	**1,311,523**	1,212,975
Cash	**1,018**	18,555
Accrued interest receivable	**21,899**	6,274
Investment in CoBank, ACB	**39,684**	39,592
Premises and equipment, net	**3,407**	3,182
Prepaid benefit expense	**972**	863
Other assets	**4,669**	5,434
Total assets	**$ 1,383,172**	$ 1,286,875
LIABILITIES		
Note payable to CoBank, ACB	**$ 1,070,796**	$ 991,675
Advance conditional payments	**30,100**	20,696
Accrued interest payable	**1,175**	1,084
Patronage distributions payable	**-**	6,500
Accrued benefits liability	**625**	723
Reserve for unfunded commitment	**181**	64
Other liabilities	**6,512**	5,085
Total liabilities	**1,109,389**	1,025,827
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	**1,601**	1,582
Additional paid-in capital	**141,442**	141,442
Unallocated retained earnings	**130,953**	118,333
Accumulated other comprehensive (loss)/income	**(213)**	(309)
Total shareholders' equity	**273,783**	261,048
Total liabilities and shareholders' equity	**$ 1,383,172**	$ 1,286,875

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended September 30 2016	2015	For the nine months ended September 30 2016	2015
INTEREST INCOME				
Loans	**$ 12,124**	$ 10,815	**$ 35,220**	$ 31,837
Total interest income	**12,124**	10,815	**35,220**	31,837
INTEREST EXPENSE				
Note payable to CoBank	**3,206**	2,752	**9,364**	8,151
Advanced conditional payments and other conditional trust funds	**31**	34	**110**	115
Total interest expense	**3,237**	2,786	**9,474**	8,266
Net interest income	**8,887**	8,029	**25,746**	23,571
Provision for credit losses	**230**	148	**778**	188
Net interest income after provision for credit losses	**8,657**	7,881	**24,968**	23,383
NONINTEREST INCOME				
Financially related services income	**71**	33	**79**	64
Loan fees	**82**	33	**201**	92
Patronage refund from Farm Credit Institutions	**1,262**	1,140	**3,637**	3,363
Mineral income	**1**	7	**3**	11
Other noninterest income	**13**	1	**75**	81
Total noninterest income	**1,429**	1,214	**3,995**	3,611
NONINTEREST EXPENSE				
Salaries and employee benefits	**2,134**	1,928	**6,279**	5,294
Occupancy and equipment	**185**	119	**476**	340
Purchased services from AgVantis, Inc.	**357**	256	**1,060**	770
Losses on other property owned, net	**-**	13	**-**	13
Farm Credit Insurance Fund premium	**453**	289	**1,185**	832
Supervisory and examination costs	**94**	70	**282**	252
Other noninterest expense	**669**	633	**2,059**	1,918
Total noninterest expense	**3,892**	3,308	**11,341**	9,419
Income before income taxes	**6,194**	5,787	**17,622**	17,575
Provision for income taxes	**-**	-	**2**	2
Net income	**6,194**	5,787	**17,620**	17,573
OTHER COMPREHENSIVE INCOME				
Amortization of retirements costs	**32**	27	**96**	80
Total comprehensive income	**$ 6,226**	$ 5,814	**$ 17,716**	$ 17,653

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock and Participation Certificates	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2014	$ 1,612	$ 141,442	$ 107,833	$ (338)	$ 250,549
Comprehensive income			17,573	80	17,653
Stock and participation certificates issued	271				271
Stock and participation certificates retired	(303)				(303)
Patronage Distributions: Cash			(5,300)		(5,300)
Balance at September 30, 2015	$ 1,580	$ 141,442	$ 120,106	$ (258)	$ 262,870
Balance at December 31, 2015	$ 1,582	$ 141,442	$ 118,333	$ (309)	$ 261,048
Comprehensive income			17,620	96	17,716
Stock and participation certificates issued	129				129
Stock and participation certificates retired	(110)				(110)
Patronage Distributions: Cash			(5,000)		(5,000)
Balance at September 30, 2016	**$ 1,601**	**$ 141,442**	**$ 130,953**	**$ (213)**	**$ 273,783**

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2015 as contained in the 2015 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2016. Descriptions of the significant accounting policies are included in the 2015 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In August 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled “Classification of Certain Cash Receipts and Cash Payments.” The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association’s financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

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

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled “Leases.” The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

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

In August 2014, the FASB issued guidance entitled “Presentation of Financial Statements – Going Concern.” The guidance governs management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on its financial condition or results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	September 30, 2016	December 31, 2015
Real estate mortgage	**$ 1,137,948**	$1,061,681
Production and intermediate-term	**74,234**	72,100
Agribusiness:		
Loans to cooperatives	**1**	--
Processing and marketing	**34,767**	25,961
Farm-related business	**16,609**	21,346
Rural infrastructure:		
Communication	**6,563**	--
Energy	**--**	--
Water and waste water	**--**	--
Rural residential real estate	**260**	269
Lease receivables	**45,123**	34,939
Total loans	**$ 1,315,505**	$1,216,296

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2016:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 15,398	$ 87,095	$ --	$ --	$ 15,398	$ 87,095
Production and intermediate-term	--	--	--	--	--	--
Agribusiness	20,906	--	--	--	20,906	--
Rural infrastructure	6,563	--	--	--	6,563	--
Rural residential real estate	--	--	--	--	--	--
Lease receivables	7,237	13,970	--	--	7,237	13,970
Total	$ 50,104	$ 101,065	$ --	$ --	$ 50,104	$ 101,065

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

	September 30, 2016	December 31, 2015
Real estate mortgage		
Acceptable	**98.90%**	99.77%
OAEM	**0.87%**	0.13%
Substandard	**0.23%**	0.10%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**98.69%**	99.99%
OAEM	**0.10%**	0.01%
Substandard	**1.21%**	0.00%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**79.77%**	79.54%
OAEM	**19.85%**	20.09%
Substandard	**0.38%**	0.37%
Total	**100.00%**	100.00%
Lease receivables		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**98.97%**	99.79%
OAEM	**0.76%**	0.12%
Substandard	**0.27%**	0.09%
Doubtful	**0.00%**	0.00%
Total	**100.00%**	100.00%

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

(dollars in thousands)	**September 30, 2016**	December 31, 2015
Nonaccrual loans		
Real estate mortgage	**$ 522**	$ 283
Lease receivables	**--**	1
Total nonaccrual loans	**522**	284
Accruing restructured loans		
Total accruing restructured loans	**--**	--
Accruing loans 90 days past due		
Total accruing loans 90 days past due	**--**	--
Total impaired loans	**522**	284
Other property owned	**0**	0
Total high risk assets	**$ 522**	$ 284

Additional impaired loan information is as follows:

	September 30, 2016			December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 522**	**$ 609**	**$ --**	$ 283	$ 346	$ --
Production and intermediate-term	**--**	**--**	**--**	--	--	--
Agribusiness	**--**	**--**	**--**	--	--	--
Rural infrastructure	**--**	**--**	**--**	--	--	--
Rural residential real estate	**--**	**--**	**--**	--	--	--
Lease receivables	**--**	**--**	**--**	1	1	--
Total	**$ 522**	**$ 609**	**$ --**	$ 284	$ 347	$ --

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

	For the Three Months Ended September 30, 2016		For the Three Months Ended September 30, 2015	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 514**	**$ --**	$ 260	$ --
Production and intermediate-term	**--**	**--**	--	--
Agribusiness	**68**	**1**	--	--
Rural infrastructure	**--**	**--**	--	--
Rural residential real estate	**--**	**--**	--	--
Lease receivables	**--**	**--**	10	--
Total	**$ 582**	**$ 1**	$ 270	$ --

	For the Nine Months Ended September 30, 2016		For the Nine Months Ended September 30, 2015	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 483**	**$ 22**	$ 238	$ --
Production and intermediate-term	**7**	**1**	79	--
Agribusiness	**23**	**1**	--	--
Rural infrastructure	**--**	**--**	--	--
Rural residential real estate	**--**	**--**	--	--
Lease receivables	**--**	**--**	9	--
Total	**$ 513**	**$ 24**	$ 326	$ --

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

September 30, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 1,460	$ --	$ 1,460	$1,156,756	$1,158,216	$ --
Production and intermediate-term	145	--	145	75,128	75,273	--
Agribusiness	--	--	--	51,939	51,939	--
Rural infrastructure	--	--	--	6,563	6,563	--
Rural residential real estate	--	--	--	262	262	--
Lease receivables	354	--	354	44,797	45,151	--
Total	$ 1,959	$ --	$ 1,959	$1,335,445	$1,337,404	$ --

December 31, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 208	$ --	$ 208	$1,066,848	$1,067,056	$ --
Production and intermediate-term	--	--	--	72,682	72,682	--
Agribusiness	--	--	--	47,620	47,620	--
Rural infrastructure	--	--	--	--	--	--
Rural residential real estate	--	--	--	270	270	--
Lease receivables	--	--	--	34,942	34,942	--
Total	$ 208	$ --	$ 208	$1,222,362	$1,222,570	$ --

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

	Balance at June 30, 2016	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2016
Real estate mortgage	$ 703	$ --	$ --	$ (28)	$ 675
Production and intermediate-term	1,372	--	--	121	1,493
Agribusiness	1,070	--	--	78	1,148
Rural infrastructure	--	--	--	--	--
Rural residential real estate	1	--	--	--	1
Lease receivables	617	--	--	48	665
Total	$ 3,763	$ --	$ --	$ 219	$ 3,982

	Balance at December 31, 2015	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2016
Real estate mortgage	$ 773	$ --	$ --	$ (98)	$ 675
Production and intermediate-term	1,464	--	--	29	1,493
Agribusiness	311	--	--	837	1,148
Rural infrastructure	--	--	--	--	--
Rural residential real estate	2	--	--	(1)	1
Lease receivables	771	--	--	(106)	665
Total	$ 3,321	$ --	$ --	$ 661	$ 3,982

	Balance at June 30, 2015	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2015
Real estate mortgage	$ 417	$ --	$ --	$ 86	$ 503
Production and intermediate-term	1,318	--	--	(13)	1,305
Agribusiness	187	--	--	14	201
Rural infrastructure	--	--	--	--	--
Rural residential real estate	3	--	--	(1)	2
Lease receivables	639	--	--	(16)	623
Total	$ 2,564	$ --	$ --	$ 70	$ 2,634

	Balance at December 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2015
Real estate mortgage	$ 422	$ --	$ --	$ 81	$ 503
Production and intermediate-term	1,310	--	--	(5)	1,305
Agribusiness	156	--	--	45	201
Rural infrastructure	--	--	--	--	--
Rural residential real estate	3	--	--	(1)	2
Lease receivables	633	--	--	(10)	623
Total	$ 2,524	$ --	$ --	$ 110	$ 2,634

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	**2016**	2015
Balance at beginning of period	**$ 169**	$ --	**$ 64**	$ --
Provision for unfunded commitments	**12**	78	**117**	78
Total	**$ 181**	$ 78	**$ 181**	$ 78

Additional detail of the allowance for credit losses is summarized below:

	Allowance for Credit Losses Ending Balance at September 30, 2016		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2016	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ --	$ 675	$ 522	$1,157,694
Production and intermediate-term	--	1,493	--	75,273
Agribusiness	--	1,148	--	51,939
Rural infrastructure	--	--	--	6,563
Rural residential real estate	--	1	--	262
Lease receivables	--	665	--	45,151
Total	$ --	$ 3,982	$ 522	$1,336,882

	Allowance for Credit Losses Ending Balance at December 31, 2015		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2015	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ --	$ 773	$ 283	$1,066,773
Production and intermediate-term	--	1,464	--	72,682
Agribusiness	--	311	--	47,620
Rural infrastructure	--	--	--	--
Rural residential real estate	--	2	--	270
Lease receivables	--	771	1	34,941
Total	$ --	$ 3,321	$ 284	$1,222,286

Restructured Debt:

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association recorded no TDRs during the nine months ended September 30, 2016.

NOTE 3 - CAPITAL

At September 30, 2016 the Permanent Capital Ratio was 16.72%. The decline from December 31, 2015 was due to the patronage payments approved in December 2015 and July 2016 and the strong loan growth experienced in 2016.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

NOTE 5 - SUBSEQUENT EVENTS

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