2015
Annual Report

Delta Agricultural Credit Association

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Delta Agricultural Credit Association

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in Delta Agricultural Credit Association. To request free copies of the AgriBank and combined AgriBank and affiliated Associations' financial reports contact us at:

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Dermott, AR 71638
(870) 538-3258
www.deltaaca.com

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30 East 7th Street, Suite 1600
St. Paul, MN 55101
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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.

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Delta Agricultural Credit Association

(dollars in thousands)

	2015	2014	2013	2012	2011
Statement of Condition Data					
Loans	**$ 49,506**	$ 41,364	$ 31,886	$ 30,409	$ 28,703
Allowance for loan losses	**121**	69	70	114	99
Net loans	**49,385**	41,295	31,816	30,295	28,604
Investment in AgriBank, FCB	**1,196**	1,196	1,196	1,196	1,196
Other property owned	**--**	--	--	--	6
Other assets	**1,687**	1,111	910	964	931
Total assets	**$ 52,268**	$ 43,602	$ 33,922	$ 32,455	$ 30,737
Obligations with maturities of one year or less	**$ 43,157**	$ 35,027	$ 25,948	$ 24,841	$ 23,711
Total liabilities	**43,157**	35,027	25,948	24,841	23,711
Protected members' equity	**12**	13	13	14	14
Capital stock and participation certificates	**1,712**	1,827	1,706	1,739	1,598
Unallocated surplus	**7,387**	6,735	6,255	5,861	5,414
Total members' equity	**9,111**	8,575	7,974	7,614	7,026
Total liabilities and members' equity	**$ 52,268**	$ 43,602	$ 33,922	$ 32,455	$ 30,737
Statement of Income Data					
Net interest income	**$ 1,909**	$ 1,525	$ 1,373	$ 1,449	$ 1,311
Provision for loan losses	**53**	8	34	51	201
Other expenses, net	**(1,094)**	(917)	(845)	(752)	(726)
Net income	**$ 762**	$ 600	$ 494	$ 646	$ 384
Key Financial Ratios					
Return on average assets	**1.5%**	1.6%	1.4%	1.9%	1.2%
Return on average members' equity	**8.6%**	7.2%	6.3%	8.7%	5.6%
Net interest income as a percentage of average earning assets	**3.9%**	4.2%	4.2%	4.5%	4.3%
Members' equity as a percentage of total assets	**17.4%**	19.7%	23.5%	23.5%	22.9%
Net charge-offs as a percentage of average loans	**--**	--	0.2%	0.1%	1.2%
Allowance for loan losses as a percentage of loans	**0.2%**	0.2%	0.2%	0.4%	0.3%
Permanent capital ratio	**21.0%**	23.3%	23.5%	23.2%	22.0%
Total surplus ratio	**16.5%**	17.8%	17.8%	17.3%	16.2%
Core surplus ratio	**16.3%**	16.8%	16.8%	16.4%	15.0%
Net Income Distributed					
Patronage distributions:					
Cash	**$ 120**	$ 100	$ 200	$ 99	$ 135

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delta Agricultural Credit Association

The following commentary reviews the consolidated financial condition and consolidated results of operations of Delta Agricultural Credit Association (the Association) and its subsidiaries, Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, 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). Delta Agricultural Credit Association 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, and fair value measurements

AGRICULTURAL AND ECONOMIC CONDITIONS

Our territory is located in rural southeast Arkansas. Crop, timber, and poultry production are the primary agricultural enterprises that influence our portfolio. Governmental, economic, environmental, and social forces continue to express volatile traits. Globalization, low interest rates, and volatility continue to be major forces that have attracted buyers to this area seeking ownership of farm and timberland for economic stability. The weather pattern for 2015 was less favorable than in 2014 for crop production and poultry facility construction. The local crop economy is experiencing some stress from the unbalanced income and expense situation that developed in 2015. Livestock and poultry production continue to show profitable margins. The new farm bill implementation and previous strong crop earnings have provided some cushion to the sharp decline of field crop commodity prices. The overall livestock, timber, and agricultural economies are sustainable.

The poultry expansion continues at a slower pace in the western portion of our territory. Favorable feed prices and integrator changes have spurred the demand for more on-farm poultry facilities. Our FLCA provided financing to build on-farm poultry facilities, which supported this poultry expansion. Cropland and timberland are at historical high market values. Currently, outside buyers continue to support this real estate market. Presently, we are enjoying a profitable economic environment.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $49.5 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	**$ 35,749**	$ 29,035	$ 19,328
Production and intermediate term	**13,462**	12,236	12,018
Rural residential real estate	**42**	48	52
Nonaccrual loans	**253**	45	488
Total loans	**$ 49,506**	$ 41,364	$ 31,886

The increase in total loans from December 31, 2014 resulted primarily from new business related to poultry enterprise financing within our real estate mortgage portfolio.

We offer variable, fixed, 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 Arkansas. Approximately 95.7% of our total loan portfolio was in Ashley, Bradley, Chicot, Desha, Drew, and Lincoln counties at December 31, 2015.

Agricultural concentrations exceeding 5.0% of our portfolio at December 31, 2015 included: poultry and eggs 45.6%, cash grains 33.1%, forestry 5.6%, and farm supplies 5.0%. Additional commodity concentration information is included in Note 3 to the accompanying Consolidated Financial Statements.

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 remained stable from December 31, 2014. Adversely classified loans at December 31, 2015 were negligible while there were no adversely classified loans 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, $23.6 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	**$ 253**	$ 45	$ 488
Accruing restructured	**--**	--	--
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**253**	45	488
Other property owned	**--**	--	--
Total risk assets	**$ 253**	$ 45	$ 488
Total risk loans as a percentage of total loans	**0.5%**	0.1%	1.5%
Nonaccrual loans as a percentage of total loans	**0.5%**	0.1%	1.5%
Total delinquencies as a percentage of total loans	**--**	0.1%	1.5%

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.

The increase in nonaccrual loans was due to four Farm Service Agency guaranteed loans, to one borrower. Nonaccrual loans remained at an acceptable level at December 31, 2015, 2014, and 2013. All of our nonaccrual loans were current at December 31, 2015, while no nonaccrual loans were current at December 31, 2014 and 2013.

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	**0.2%**	0.2%	0.2%
Nonaccrual loans	**47.8%**	153.3%	14.3%
Total risk loans	**47.8%**	153.3%	14.3%
Net charge-offs as a percentage of average loans	**--**	--	0.2%
Adverse assets to risk funds	**0.3%**	--	--

The allowance as a percentage of nonaccrual loans declined due to an increase in our total allowance associated with the increase in nonaccrual loans as well as increased loan growth. 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, 9, 10, and 11 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	**$ 762**	$ 600	$ 494
Return on average assets	**1.5%**	1.6%	1.4%
Return on average members' equity	**8.6%**	7.2%	6.3%

Changes in these ratios related directly to:

- Changes in income as discussed below
- Changes in assets as discussed in the Loan Portfolio section
- 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	**$ 1,909**	$ 1,525	$ 1,373	**$ 384**	$ 152
Provision for loan losses	**53**	8	34	**(45)**	26
Patronage income	**108**	109	103	**(1)**	6
Other (expense) income, net	**(47)**	13	21	**(60)**	(8)
Operating expenses	**1,155**	1,039	969	**(116)**	(70)
Net income	**$ 762**	$ 600	$ 494	**$ 162**	$ 106

Net Interest Income

Changes in Net Interest Income

(in thousands)	**2015 vs 2014**	2014 vs 2013
Changes in volume	**$ 501**	$ 204
Changes in interest rates	**(119)**	(52)
Changes in nonaccrual income and other	**2**	--
Net change	**$ 384**	$ 152

Net interest income included income on nonaccrual loans that totaled $2 thousand in 2015, while there was no income on nonaccrual loans in 2014 or 2013. 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 3.9%, 4.2%, and 4.2% in 2015, 2014, and 2013, respectively. We expect margins to further compress in the future if interest rates continue to rise and competition increases.

Provision for Loan Losses

The fluctuation in provision for loan losses is related to our estimate of losses in our portfolio for the applicable years. The increase in provision for loan losses in 2015 was due to an increase in specific reserves related to nonaccrual commercial loans as well as increased loan growth within our mortgage 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 $99 thousand, $98 thousand, and $92 thousand 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 $6 thousand, $8 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 (Expense) Income, net

The change in other (expense) income, net was primarily related to wholesale undisbursed loan fees charged on other escrow funds.

Operating Expenses

Components of Operating Expenses

(dollars in thousands)

For the year ended December 31	**2015**	2014	2013
Salaries and employee benefits	**$ 786**	$ 695	$ 645
Purchased and vendor services	**173**	152	145
Communications	**12**	11	10
Occupancy and equipment	**37**	36	33
Advertising and promotion	**35**	30	31
Examination	**20**	20	20
Farm Credit System insurance	**27**	24	21
Other	**65**	71	64
Total operating expenses	**$ 1,155**	$ 1,039	$ 969
Operating rate	**2.4%**	2.8%	3.0%

The operating expense increases were primarily related to increased salaries and employee benefits due to annual merit increases. Additionally, purchased and vendor services increased due to audit expenses related to an internal operations review and information technology review.

In addition, 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.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 5 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 $14.7 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	**$ 38,226**	$ 29,352	$ 26,670
Average interest rate	**1.9%**	1.6%	1.4%

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.

CAPITAL ADEQUACY

Total members' equity increased $536 thousand from December 31, 2014, primarily due to net income for the year, which was partially offset by patronage distribution accruals and a decrease in capital stock and participation certificates.

Members' Equity Position Information

(dollars in thousands) As of December 31	Regulatory Minimums	2015	2014	2013
Members' equity		**$ 9,111**	$ 8,575	$ 7,974
Surplus as a percentage of members' equity		**81.1%**	78.5%	78.4%
Permanent capital ratio	7.0%	**21.0%**	23.3%	23.5%
Total surplus ratio	7.0%	**16.5%**	17.8%	17.8%
Core surplus ratio	3.5%	**16.3%**	16.8%	16.8%

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 6 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum permanent capital target. 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 was 18%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional members' equity information is included in Note 6 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 5 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, technology services, and insurance services.

The total cost of services we purchased from AgriBank was $72 thousand, $67 thousand, and $63 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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OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

Insight Technology Unit: We participate in the Insight Technology Unit (Insight) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit to our borrowers. Insight 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.

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 $7 thousand. The total cost of services we purchased from Foundations was $39 thousand, $36 thousand, and $35 thousand in 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

Delta Agricultural Credit Association

We prepare the Consolidated Financial Statements of Delta Agricultural Credit Association (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.

Mike Norris

Mike Norris
Chairperson of the Board
Delta Agricultural Credit Association

Mark Kaufman

Mark W. Kaufman
Chief Executive Officer
Delta Agricultural Credit Association

Mary Ann Johnson

Mary Ann Johnson
Chief Financial Officer
Delta Agricultural Credit Association

March 8, 2016

REPORT OF AUDIT COMMITTEE

Delta Agricultural Credit Association

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 Delta Agricultural Credit Association (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.

Mike Norris

Mike Norris
Chairperson of the Audit Committee
Delta Agricultural Credit Association

Members of the Audit Committee are:
Al Beaty
Bruce Bond
C. Randall Cox
Kim Ellington
Joe Mencer
Mike Norris

March 8, 2016

pwc

Independent Auditor's Report

To the Board of Directors of Delta Agricultural Credit Association,

We have audited the accompanying Consolidated Financial Statements of Delta Agricultural Credit Association (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 Delta Agricultural Credit Association 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

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CONSOLIDATED STATEMENTS OF CONDITION

Delta Agricultural Credit Association

(in thousands)

As of December 31	2015	2014	2013
ASSETS			
Loans	**$ 49,506**	$ 41,364	$ 31,886
Allowance for loan losses	**121**	69	70
Net loans	**49,385**	41,295	31,816
Investment in AgriBank, FCB	**1,196**	1,196	1,196
Accrued interest receivable	**1,414**	832	638
Other assets	**273**	279	272
Total assets	**$ 52,268**	$ 43,602	$ 33,922
LIABILITIES			
Note payable to AgriBank, FCB	**$ 41,109**	$ 31,481	$ 25,609
Accrued interest payable	**212**	141	99
Patronage distribution payable	**110**	120	100
Other liabilities	**1,726**	3,285	140
Total liabilities	**43,157**	35,027	25,948
Contingencies and commitments (Note 10)			
MEMBERS' EQUITY			
Protected members' equity	**12**	13	13
Capital stock and participation certificates	**1,712**	1,827	1,706
Unallocated surplus	**7,387**	6,735	6,255
Total members' equity	**9,111**	8,575	7,974
Total liabilities and members' equity	**$ 52,268**	$ 43,602	$ 33,922

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

CONSOLIDATED STATEMENTS OF INCOME

Delta Agricultural Credit Association

(in thousands)

For the year ended December 31		2015		2014		2013
Interest income	**$**	**2,646**	$	1,984	$	1,743
Interest expense		**737**		459		370
Net interest income		**1,909**		1,525		1,373
Provision for loan losses		**53**		8		34
Net interest income after provision for loan losses		**1,856**		1,517		1,339
Other income						
Patronage income		**108**		109		103
Financially related services income		**4**		3		4
Fee (loss) income, net		**(54)**		6		12
Miscellaneous income, net		**3**		4		5
Total other income		**61**		122		124
Operating expenses						
Salaries and employee benefits		**786**		695		645
Other operating expenses		**369**		344		324
Total operating expenses		**1,155**		1,039		969
Income before income taxes		**762**		600		494
Provision for income taxes		**--**		--		--
Net income	**$**	**762**	$	600	$	494

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Delta Agricultural Credit Association

(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2012	$ 14	$ 1,739	$ 5,861	$ 7,614
Net income	--	--	494	494
Unallocated surplus designated for patronage distributions	--	--	(100)	(100)
Capital stock and participation certificates issued	--	316	--	316
Capital stock and participation certificates retired	(1)	(349)	--	(350)
Balance as of December 31, 2013	13	1,706	6,255	7,974
Net income	--	--	600	600
Unallocated surplus designated for patronage distributions	--	--	(120)	(120)
Capital stock and participation certificates issued	--	358	--	358
Capital stock and participation certificates retired	--	(237)	--	(237)
Balance as of December 31, 2014	13	1,827	6,735	8,575
Net income	**--**	**--**	**762**	**762**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(110)**	**(110)**
Capital stock and participation certificates issued	**--**	**275**	**--**	**275**
Capital stock and participation certificates retired	**(1)**	**(390)**	**--**	**(391)**
Balance as of December 31, 2015	**$ 12**	**$ 1,712**	**$ 7,387**	**$ 9,111**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Delta Agricultural Credit Association

(in thousands)

For the year ended December 31	**2015**	2014	2013
Cash flows from operating activities			
Net income	**$ 762**	$ 600	$ 494
Depreciation on premises and equipment	**9**	8	7
Provision for loan losses	**53**	8	34
Stock patronage received from AgriBank, FCB	**--**	--	(43)
Changes in operating assets and liabilities:			
(Increase) decrease in accrued interest receivable	**(603)**	(208)	41
Decrease (increase) in other assets	**10**	(3)	--
Increase in accrued interest payable	**71**	42	9
(Decrease) increase in other liabilities	**(1,559)**	3,145	8
Net cash (used in) provided by operating activities	**(1,257)**	3,592	550
Cash flows from investing activities			
Increase in loans, net	**(8,129)**	(9,238)	(1,421)
Redemptions of investment in AgriBank, FCB, net	**--**	--	43
Purchases of premises and equipment, net	**(13)**	(12)	(3)
Net cash used in investing activities	**(8,142)**	(9,250)	(1,381)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**9,628**	5,872	1,190
Patronage distributions paid	**(120)**	(100)	(200)
Capital stock and participation certificates retired, net	**(109)**	(114)	(159)
Net cash provided by financing activities	**9,399**	5,658	831
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	**$ 275**	$ 358	$ 311
Stock applied against loan principal	**281**	122	186
Stock applied against interest	**1**	1	--
Interest transferred to loans	**20**	13	9
Patronage distributions payable to members	**110**	120	100
Supplemental information			
Interest paid	**$ 666**	$ 417	$ 361
Taxes (received) paid	**--**	(1)	1

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Delta Agricultural Credit Association

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

Delta Agricultural Credit Association (the Association) and its subsidiaries, Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, 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 of Ashley, Bradley, Chicot, Desha, Drew and part of Lincoln in the state of Arkansas.

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 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 Delta Agricultural Credit Association 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 and cumulative charge-offs. 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 “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.

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.

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. Employer contributions are expensed when incurred.

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 disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management's assessment, any reserve is recorded in "Other liabilities" in the Consolidated Statements of Condition and a corresponding loss is recorded in "Provision for 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 February 2016, the FASB issued guidance entitled, "Leases." The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019 and interim periods the subsequent year. Early adoption is permitted and modified retrospective adoption is required. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

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

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

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. We are in the process of reviewing contracts to determine the effect, if any, on our financial condition or our results of operations.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

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

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

(in thousands) As of December 31, 2014	As Previously Reported	Adjustment	As Revised
Real estate mortgage	$ 28,835	$ 200	$ 29,035
Agribusiness	200	(200)	--
	$ 29,035	$ --	$ 29,035
As of December 31, 2013	**As Previously Reported**	**Adjustment**	**As Revised**
Real estate mortgage	$ 19,253	$ 210	$ 19,463
Agribusiness	210	(210)	--

Loans by Type

(dollars in thousands)	**2015**		2014		2013	
As of December 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 35,749**	**72.2%**	$ 29,035	70.2%	$ 19,463	61.0%
Production and intermediate term	**13,715**	**27.7%**	12,281	29.7%	12,371	38.8%
Rural residential real estate	**42**	**0.1%**	48	0.1%	52	0.2%
Total	**$ 49,506**	**100.0%**	$ 41,364	100.0%	$ 31,886	100.0%

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 18.8% of total loans and commitments.

Agricultural Concentrations

As of December 31	**2015**	2014	2013
Poultry and eggs	**45.6%**	39.3%	18.5%
Cash grains	**33.1%**	35.4%	47.9%
Forestry	**5.6%**	6.6%	7.5%
Farm supplies	**5.0%**	5.5%	9.3%
Beef	**4.5%**	6.1%	6.4%
Fish	**1.9%**	2.1%	3.7%
Other	**4.3%**	5.0%	6.7%
Total	**100.0%**	100.0%	100.0%

Additional poultry expansion occurring in the western portion of our territory continued to create a shift in our agricultural concentrations, increasing our poultry and eggs concentration while decreasing other agricultural concentrations. We provided financing to build on-farm poultry facilities, which supported this poultry expansion.

We are chartered to operate in certain counties in Arkansas. Approximately 95.7% of our total loan portfolio was in Ashley, Bradley, Chicot, Desha, Drew, and Lincoln 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 Sold

(in thousands)	Other Farm Credit Institutions Total Participations Sold		
As of December 31	2015	2014	2013
Real estate mortgage	**$ (739)**	$ (142)	$ (161)
Production and intermediate term	**(3,172)**	(2,810)	(1,453)
Total	**$ (3,911)**	$ (2,952)	$ (1,614)

We did not have any participation interests purchased as of December 31, 2015, 2014, or 2013.

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 OAEM or loss at December 31, 2015, 2014, or 2013.

Credit Quality of Loans

(dollars in thousands)	Acceptable		Substandard/ Doubtful		Total	
As of December 31, 2015	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 36,977**	**100.0%**	**$ --**	**--**	**$ 36,977**	**100.0%**
Production and intermediate term	**13,876**	**99.8%**	**25**	**0.2%**	**13,901**	**100.0%**
Rural residential real estate	**42**	**100.0%**	**--**	**--**	**42**	**100.0%**
Total	**$ 50,895**	**100.0%**	**$ 25**	**--**	**$ 50,920**	**100.0%**
	Acceptable		Substandard/ Doubtful		Total	
As of December 31, 2014	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 29,742	100.0%	$ --	--	$ 29,742	100.0%
Production and intermediate term	12,406	100.0%	--	--	12,406	100.0%
Rural residential real estate	48	100.0%	--	--	48	100.0%
Total	$ 42,196	100.0%	$ --	--	$ 42,196	100.0%
	Acceptable		Substandard/ Doubtful		Total	
As of December 31, 2013	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 19,939	100.0%	$ --	--	$ 19,939	100.0%
Production and intermediate term	12,533	100.0%	--	--	12,533	100.0%
Rural residential real estate	52	100.0%	--	--	52	100.0%
Total	$ 32,524	100.0%	$ --	--	$ 32,524	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) As of December 31, 2015	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	**$ --**	**$ --**	**$ 36,977**	**$ 36,977**
Production and intermediate term	**--**	**--**	**13,901**	**13,901**
Rural residential real estate	**--**	**--**	**42**	**42**
Total	**$ --**	**$ --**	**$ 50,920**	**$ 50,920**

As of December 31, 2014	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$ --	$ --	$ 29,742	$ 29,742
Production and intermediate term	45	45	12,361	12,406
Rural residential real estate	--	--	48	48
Total	$ 45	$ 45	$ 42,151	$ 42,196

As of December 31, 2013	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$ 134	$ 134	$ 19,805	$ 19,939
Production and intermediate term	354	354	12,179	12,533
Rural residential real estate	--	--	52	52
Total	$ 488	$ 488	$ 32,036	$ 32,524

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	**$ 253**	$ --	$ --
Past due	**--**	45	488
Total nonaccrual loans	**253**	45	488
Total risk loans	**$ 253**	$ 45	$ 488
Volume with specific reserves	**$ 253**	$ 45	$ 134
Volume without specific reserves	**--**	--	354
Total risk loans	**$ 253**	$ 45	$ 488
Total specific reserves	**$ 23**	$ --	$ 13

For the year ended December 31	2015	2014	2013
Income on accrual risk loans	**$ 2**	$ --	$ --
Income on nonaccrual loans	**2**	--	--
Total income on risk loans	**$ 4**	$ --	$ --
Average recorded risk loans	**$ 131**	$ 151	$ 901

Nonaccrual loans increased due to four Farm Service Agency guaranteed loans, to one borrower, that were placed in nonaccrual status at the end of the year.

Nonaccrual Loans by Loan Type

(in thousands) As of December 31	2015	2014	2013
Real estate mortgage	$ --	$ --	$ 134
Production and intermediate term	253	45	354
Total	$ 253	$ 45	$ 488

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:					
Production and intermediate term	$ 253	$ 249	$ 23	$ 110	$ --
Total	$ 253	$ 249	$ 23	$ 110	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ 21	$ 1
Production and intermediate term	--	--	--	--	3
Total	$ --	$ --	$ --	$ 21	$ 4
Total impaired loans:					
Real estate mortgage	$ --	$ --	$ --	$ 21	$ 1
Production and intermediate term	253	249	23	110	3
Total	$ 253	$ 249	$ 23	$ 131	$ 4

	As of December 31, 2014			For the year ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	$ 45	$ 50	$ --	$ 118	$ --
Total	$ 45	$ 50	$ --	$ 118	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ 33	$ --
Production and intermediate term	--	19	--	--	--
Total	$ --	$ 19	$ --	$ 33	$ --
Total impaired loans:					
Real estate mortgage	$ --	$ --	$ --	$ 33	$ --
Production and intermediate term	45	69	--	118	--
Total	$ 45	$ 69	$ --	$ 151	$ --

	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	$ 134	$ 150	$ 13	$ 237	$ --
Total	$ 134	$ 150	$ 13	$ 237	$ --
Impaired loans with no related allowance for loan losses:					
Production and intermediate term	$ 354	$ 438	$ --	$ 664	$ --
Total	$ 354	$ 438	$ --	$ 664	$ --
Total impaired loans:					
Real estate mortgage	$ 134	$ 150	$ 13	$ 237	$ --
Production and intermediate term	354	438	--	664	--
Total	$ 488	$ 588	$ 13	$ 901	$ --

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 did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2015.

Troubled Debt Restructurings

There were no troubled debt restructurings that were outstanding or occurred during the years ended December 31, 2015, 2014, or 2013.

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	**$ 69**	$ 70	$ 114
Provision for loan losses	**53**	8	34
Loan recoveries	**--**	2	2
Loan charge-offs	**(1)**	(11)	(80)
Balance at end of year	**$ 121**	$ 69	$ 70

The increase in allowance for loan losses was primarily related to specific reserves on nonaccrual commercial loans and increased loan growth within our mortgage portfolio.

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

(in thousands)	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Rural Residential Real Estate	Total
Allowance for loan losses:					
Balance as of December 31, 2014	**$ 64**	**$ 5**	**$ --**	**$ --**	**$ 69**
(Reversal of) provision for loan losses	**(9)**	**62**	**--**	**--**	**53**
Loan recoveries	**--**	**--**	**--**	**--**	**--**
Loan charge-offs	**--**	**(1)**	**--**	**--**	**(1)**
Balance as of December 31, 2015	**$ 55**	**$ 66**	**$ --**	**$ --**	**$ 121**
Ending balance: individually evaluated for impairment	**$ --**	**$ 23**	**$ --**	**$ --**	**$ 23**
Ending balance: collectively evaluated for impairment	**$ 55**	**$ 43**	**$ --**	**$ --**	**$ 98**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2015	**$ 36,977**	**$ 13,901**	**$ --**	**$ 42**	**$ 50,920**
Ending balance: individually evaluated for impairment	**$ --**	**$ 253**	**$ --**	**$ --**	**$ 253**
Ending balance: collectively evaluated for impairment	**$ 36,977**	**$ 13,648**	**$ --**	**$ 42**	**$ 50,667**

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Rural Residential Real Estate	Total
Allowance for loan losses:					
Balance as of December 31, 2013	$ 67	$ 3	$ --	$ --	$ 70
(Reversal of) provision for loan losses	(1)	9	--	--	8
Loan recoveries	--	2	--	--	2
Loan charge-offs	(2)	(9)	--	--	(11)
Balance as of December 31, 2014	$ 64	$ 5	$ --	$ --	$ 69
Ending balance: individually evaluated for impairment	$ --	$ --	$ --	$ --	$ --
Ending balance: collectively evaluated for impairment	$ 64	$ 5	$ --	$ --	$ 69
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2014	$ 29,742	$ 12,406	$ --	$ 48	$ 42,196
Ending balance: individually evaluated for impairment	$ --	$ 45	$ --	$ --	$ 45
Ending balance: collectively evaluated for impairment	$ 29,742	$ 12,361	$ --	$ 48	$ 42,151

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Rural Residential Real Estate	Total
Allowance for loan losses:					
Balance as of December 31, 2012	$ 92	$ 22	$ --	$ --	$ 114
(Reversal of) provision for loan losses	(25)	59	--	--	34
Loan recoveries	--	2	--	--	2
Loan charge-offs	--	(80)	--	--	(80)
Balance as of December 31, 2013	$ 67	$ 3	$ --	$ --	$ 70
Ending balance: individually evaluated for impairment	$ 13	$ --	$ --	$ --	$ 13
Ending balance: collectively evaluated for impairment	$ 54	$ 3	$ --	$ --	$ 57
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2013	$ 19,939	$ 12,533	$ --	$ 52	$ 32,524
Ending balance: individually evaluated for impairment	$ 134	$ 354	$ --	$ --	$ 488
Ending balance: collectively evaluated for impairment	$ 19,805	$ 12,179	$ --	$ 52	$ 32,036

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	**$ 1,021**	$ 736	$ 659
Excess stock investment	**175**	460	537
Total investment	**$ 1,196**	$ 1,196	$ 1,196

Excess stock investment is recorded when the required investment in AgriBank is lower than our permanent investment. See Note 6 for discussion of the permanent investment.

NOTE 5: 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	**$ 56,000**	$ 46,000	$ 43,000
Outstanding principal under the line of credit	**41,109**	31,481	25,609
Interest rate	**2.1%**	1.8%	1.6%

Our note payable matures March 31, 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 6: 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, our 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 for mortgage loans or intermediate-term loans and 5.0% of the loan amount for commercial loans. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Protection Mechanisms

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

Regulatory Capitalization Requirements

Select Capital Ratios

As of December 31	Regulatory Minimums	**2015**	2014	2013
Permanent capital ratio	7.0%	**21.0%**	23.3%	23.5%
Total surplus ratio	7.0%	**16.5%**	17.8%	17.8%
Core surplus ratio	3.5%	**16.3%**	16.8%	16.8%

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 14.6%, 38.5%, and 44.9% of our investment in AgriBank as capital at December 31, 2015, 2014, and 2013, respectively. 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.

	Number of Shares		
As of December 31	**2015**	2014	2013
Class A common stock (protected)	**2,354**	2,583	2,583
Class B common stock (at-risk)	**1,536**	5,080	5,101
Class C common stock (at-risk)	**340,876**	360,307	336,032

Under our bylaws, we are also authorized to issue Class D and Class E common stock, Series 2 participation certificates 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 common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

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

In 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 Class F preferred stock, and second, to all holders of common stock and participation certificates.

In the event of impairment, losses will be absorbed first, pro-rata by holders of all classes of common stock and participation certificates and then by holders of Class F preferred stock; however, protected stock will be retired at par value regardless of impairment.

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 $110 thousand, $120 thousand, and $100 thousand 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 7: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands) For the year ended December 31	**2015**	2014	2013
Current:			
Federal	**$ --**	$ --	$ --
State	**--**	--	--
Total current	**$ --**	$ --	$ --
Deferred:			
Federal	**$ 1**	$ 4	$ (5)
State	**--**	--	--
(Decrease) increase in valuation allowance	**(1)**	(4)	5
Total deferred	**--**	--	--
Provision for income taxes	**$ --**	$ --	$ --
Effective tax rate	**--**	--	--

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands) For the year ended December 31	**2015**	2014	2013
Federal tax at statutory rates	**$ 259**	$ 204	$ 165
State tax, net	**--**	1	2
Patronage distributions	**(37)**	(41)	(35)
Effect of non-taxable entity	**(220)**	(158)	(123)
(Decrease) increase in valuation allowance	**(1)**	(4)	5
Other	**(1)**	(2)	(14)
Provision for income taxes	**$ --**	$ --	$ --

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	**$ 10**	$ 7	$ 14
Postretirement benefit accrual	**14**	15	22
Other assets	**7**	10	--
Total deferred tax assets	**31**	32	36
Valuation allowance	**(31)**	(32)	(36)
Deferred tax assets, net	**$ --**	$ --	$ --
Gross deferred tax assets	**$ 31**	$ 32	$ 36

A valuation allowance for the deferred tax assets was necessary at December 31, 2015, 2014, and 2013 because we determined that not all of the deferred tax asset was completely realizable due to our minimal current tax liability over the past several years, caused mainly by the patronage program.

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. With respect to the AgriBank stock distributed in 2002, the Board of Directors has passed a resolution that, should this stock ever be converted to cash, creating a tax liability, an equal amount will be distributed to patrons at that time under the Association's patronage program. Our total permanent investment in AgriBank is $1.2 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $3.1 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 8: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

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

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

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

AgriBank District Retirement Plan Information

(in thousands) As of December 31		2015		2014		2013
Unfunded liability	$	**453,825**	$	423,881	$	255,187
Projected benefit obligation		**1,255,259**		1,234,960		1,014,649
Fair value of plan assets		**801,434**		811,079		759,462
Accumulated benefit obligation		**1,064,133**		1,051,801		864,202
For the year ended December 31		**2015**		**2014**		**2013**
Total plan expense	$	**63,800**	$	45,827	$	63,270
Our allocated share of plan expenses		**94**		64		83
Contributions by participating employers		**62,722**		52,032		59,046
Our allocated share of contributions		**93**		72		78

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 $93 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	$	**6**	$	3	$	2
Our cash contributions		**7**		7		7

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 $24 thousand, $22 thousand, and $19 thousand in 2015, 2014, and 2013, respectively. These expenses were equal to our cash contributions for each year.

NOTE 9: 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	**$**	**4,233**	$	3,741	$	3,181
For the year ended December 31:						
Advances to related parties	**$**	**6,975**	$	9,095	$	6,764
Repayments by related parties		**6,545**		9,475		7,535

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 5, 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, technology services, insurance services, and internal audit services. The total cost of services we purchased from AgriBank was $72 thousand, $67 thousand, and $63 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 $7 thousand. The total cost of services purchased from Foundations was $39 thousand, $36 thousand, and $35 thousand in 2015, 2014, and 2013, respectively.

NOTE 10: 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 $11.2 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 11: 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				
	Level 1	Level 2	Level 3	Total Fair Value	Total Losses
Impaired loans	**$ --**	**$ 242**	**$ --**	**$ 242**	**$ (24)**

As of December 31, 2014	Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Total Fair Value	Total Gains
Impaired loans	$ --	$ 48	$ --	$ 48	$ 2

As of December 31, 2013	Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Total Fair Value	Total Losses
Impaired loans	$ --	$ --	$ 127	$ 127	$ (93)

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.

NOTE 12: 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

Delta Agricultural Credit Association
(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
Dermott, AR	Owned	Headquarters
Monticello, AR	Leased	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Note 10 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 6 to the accompanying Consolidated Financial Statements.

Description of Liabilities

Information regarding liabilities is discussed in Notes 5, 6, 7, 8, and 10 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
Al Beaty	1/2015-1/2018	**Principal Occupation:**
Outside Director		Retired
		Other Affiliations:
Service Began: 1990		Director: Drew County Farm Bureau, involved in insurance sales
Bruce Bond	3/2014 - 3/2017	**Principal Occupation:**
		Self-employed cotton and grain farmer
		Other Affiliations:
Service Began: 2014		Director: Lake Village Seed and Tire, a farm supply store
C. Randall Cox	3/2015 - 3/2018	**Principal Occupation:**
Vice Chairperson		Retired cotton and grain farmer
Service Began: 1997		
Kim Ellington	3/2013 - 3/2016	**Principal Occupation:**
Service Began: 2004		Self-employed grain and sod farmer
Joe Mencer	3/2015 - 3/2018	**Principal Occupation:**
		Self-employed cotton and grain farmer
		Other Affiliations:
		Director: USA Rice Federation, involved in rice promotion
		Director: AR Rice Federation, involved in rice promotion
		Director: Arkansas Boll Weevil Eradication Foundation, involved in Boll Weevil eradication
		Director: Chicot County Farm Bureau, involved in insurance sales
		Director: Lake Village Seed and Tire, a farm supply store
		Director: Chicot County Conservation District, involved in soil and water conservation
		Director: Delta Grain and Gin, involved in cotton ginning
		Director: Pendleton Gin, involved in cotton ginning
Service Began: 2011		Director: Agricultural Council of Arkansas, involved in Arkansas agricultural promotions
Mike Norris	3/2015 - 3/2018	**Principal Occupation:**
Chairperson		Self-employed cotton and grain farmer
		Other Affiliations:
Service Began: 2002		Director: Pendleton Gin, involved in cotton ginning

Pursuant to our bylaws, directors are paid a per diem of $125 per day for attendance at board meetings and other special meetings. Directors serving on the loan committee are paid a per diem of $75 per day. Directors are also provided with $100 thousand 24-hour Accidental Death and Dismemberment insurance coverage while traveling on association business. The annual premium cost to us is $20 per director.

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

	Number of Days Served				
Name	Board Meetings	Other Official Activities	Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2015
Al Beaty, Outside Director	6.0	2.0	$ --		$ 1,000
Bruce Bond	5.0	2.0	--		875
C. Randall Cox, Vice Chairperson	7.0	16.0	975	Loan	2,225
Kim Ellington	7.0	0.0	--		875
Joe Mencer	7.0	2.0	--		1,125
Mike Norris, Chairperson	7.0	16.0	975	Loan	2,225
					$ 8,325

Senior Officers

The senior officers and the date each began his/her position include:

Name	Position
Mark W. Kaufman	Chief Executive Officer (CEO), since June 2002
Keith Hunter	Vice President (VP), since January 2005
Mary Ann Johnson	Chief Financial Officer (CFO), since January 1990

All of the senior officers have been with the Farm Credit System for the past five years. Keith Hunter is also a Director for the Chicot County Conservation District, Lake Village, AR, which is a soil and water conservation entity.

Senior Officer Compensation

We believe the design and governance of our CEO, senior officers, and highly compensated individuals compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America.

The CEO, senior officers, and highly compensated individuals are compensated with a mix of direct cash and retirement plans generally available to all employees. We do not offer any short-term or long-term incentives to our CEO, senior officers, or highly compensated individuals.

Base Salary: The CEO, senior officers, and highly compensated individuals base salaries reflect the officer's experience and level of responsibility. Base salaries are subject to review and approval by our Board of Directors and are subject to adjustment based on changes in responsibilities or competitive market conditions.

Retirement Plans: We have various post-employment benefit plans which are generally available to all association employees, including the CEO, senior officers, and highly compensated individuals, based on dates of service to the association and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 8 to the accompanying Consolidated Financial Statements.

Other Components of Compensation: Additionally, compensation associated with group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO and senior officers based on job criteria or similar plans available to all employees.

Compensation to the CEO, Senior Officers, and Highly Compensated Individuals

(in thousands) Name	Year	Salary	Deferred/ Perquisites	Other	Total
Mark W. Kaufman, CEO	**2015**	**$ 99**	**$ 1**	**$ 92**	**$ 192**
Mark W. Kaufman, CEO	2014	96	1	127	224
Mark W. Kaufman, CEO	2013	92	1	27	120
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO					
Four	**2015**	**$ 284**	**$ 1**	**$ 81**	**$ 366**
Four	2014	270	1	116	387
Four	2013	248	1	33	282

The amount in "Other" category in the preceding table primarily includes:

- Employer match on defined contribution plans available to all employees.
- Changes in the value of pension benefits. The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan and the Pension Restoration Plan, as applicable, as disclosed in Note 8 to the accompanying Consolidated Financial Statements. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association's future obligations under the pension plan.

No tax reimbursements are made to the CEO, senior officers, or highly compensated individuals.

The value of the pension benefits from December 31, 2014 to December 31, 2015 changed primarily due to interest cost, accumulation of an additional year of credited service by plan participants, and changes in actuarial assumptions.

Members may request information on the compensation to the individuals included in the preceding table during 2015.

Effective April 29, 2015, the Farm Credit Administration Board adopted a final rule to remove the requirement to report in the chart above the compensation of employees who are not senior officers and who would not otherwise be considered highly compensated employees, but for the payments related to or changes in value related to their pension plan. The exclusion only applies if the individual's pension plan was available to all similarly situated employees on the same basis. While not final as of December 31, 2014, employees disclosed for 2014 in the above chart were determined based on the November 17, 2014 proposed rule, which was unchanged in the final rule. No disclosures were changed for the 2013 reporting period; therefore, comparability may be limited as a result of this change.

Pension Benefits Attributable to the CEO, Senior Officers, and Highly Compensated Individuals

(dollars in thousands) **2015** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Mark W. Kaufman, CEO	AgriBank District Retirement Plan	**35.9**	**$ 673**	**$ --**
Aggregate Number of Senior Officers/Highly Compensated Individuals, excluding CEO				
Three	AgriBank District Retirement Plan	**19.7**	**$ 411**	**$ --**

The change in composition of the aggregate senior officer and highly compensated individuals can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 9 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:

P.O. Box 750
Dermott, AR 71638
(870) 538-3258
www.deltaaca.com

The total directors' travel, subsistence, and other related expenses were $13 thousand, $12 thousand, and $7 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 $8 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

Delta Agricultural Credit Association
(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 YBS as developed by the Farm Credit Administration (FCA) 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.
- 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.

Our Demographic Study Revision for farmers, ranchers, and producers of aquatic products is based on our information from the end of fourth quarter 2015. The source of YBS information for the comparison of Young, Beginning, and Small Farmers in our territory is the 2012 United States Department of Agriculture Census and the Chicot County Extension Service. Our portfolio statistics are based on number of loans, while the census data is based on number of farms. While the numbers are fairly similar, the difference in methodology should be taken into consideration. In addition, note that our association includes Ashley, Chicot, Desha, Drew, and Lincoln counties. Only 30% of Lincoln County is in our territory.

The total number of Young, Beginning, and Small farmers in our territory was 76 young farmers, 265 beginning farmers, and 306 small farmers. Our Young, Beginning, and Small farmer program consisted of 52 young farmers or 68% of the market, 124 beginning farmers or 47% of the market, and 121 small farmers or 40% of the market in our territory.

There are approximately 30 agricultural lending institution offices in our territory. We make up 7% of the business of these agricultural lending agencies. Our market share of the YBS producers exceeds our physical presence in the community. It is very difficult for a YBS operation to become a viable operation with today's economic, environmental, governmental, and social forces. Efforts have succeeded in creating a larger percentage of YBS numbers in our portfolio than exists in our territory. We will continue to emphasize YBS portfolio growth.

Mission Statement

Our mission is to provide support for the YBS farmers. As a farmer-owned cooperative, we will promote and assist these farmers with their careers by providing a competitive and dependable source of constructive credit.

Quantitative Goals

Annual quantitative targets for YBS farmers are to increase our new volume in dollars by 1% and increase our percentage of share in the territory by a minimum of 1%.

The following results were YBS year-end new loan numbers and volumes:

- Young – 24% decrease in loan numbers; 78% increase in volume
- Beginning – 36% decrease in loan numbers; 48% decrease in volume
- Small – 47% decrease in loan numbers; 62% decrease in volume

The 2015 year-end new loan numbers and volumes (excluding young) were less than 2014. This was primarily due to a decrease of beginning farmers exiting the classification, which has a 10-year parameter. Small numbers and volumes decreased because of higher borrower income, which eliminates them from that classification.

Our territory percentages increased with young farmers by 1% and 19% with beginning farmers. Our small farmer numbers dropped, resulting in a 2% decrease of territory share.

Qualitative Goals and Outreach Programs

Annual qualitative goals for YBS farmers are to maintain our current borrowers as well as attract new YBS borrowers with an acceptable credit classification. In addition, we want to have 90% of these new and existing loans having a risk rating of 9 or better. This goal was met with 98.5% of our loans having risk ratings of 5-9.

We have developed lending methodologies for YBS farmers. Credit factors have been specifically developed and are in use by the lending staff. The Farm Service Agency (FSA) Guarantee Program is used in many cases to offset credit risk associated with the inadequate collateral or capital exhibited by many YBS farmers.

Safety and Soundness of the Program

We will review any loan request with the intent to make the loan if the credit and eligibility criteria can be met. We will use the FSA Guarantee Program to reduce risk associated with YBS loans, if applicable. The credit and services offered to YBS farmers are provided in a safe and sound manner.

FUNDS HELD PROGRAM

Delta Agricultural Credit Association

(Unaudited)

Purpose

The purpose of this policy is to establish standardized documentation and procedures on the uses of the Funds Held feature.

Policy

Funds Held Account Purpose: It is the intention of the Association to make available the Funds Held feature to borrowers for the purpose of escrowing available funds to be applied to future scheduled payments of principal, interest payable, and other collateral expenses such as property taxes and insurance.

Funds Held Account Balance Maximum: Funds Held principal balance cannot exceed the related loan's outstanding principal balance. Recommended maximum balance not to exceed the equivalent of 50% of the current outstanding principal loan balance.

Interest Paid on Funds Held: Interest paid on Funds Held balances will be equal to the current bill rate charged on the respective loan account. Interest paid shall not exceed the rate charged on the related loan(s).

A 1099-INT Form will be sent to borrowers and reported to the IRS in accordance with IRS Regulations. Funds Held interest income will be reported on an "accrual basis," as opposed to 1098 Interest Paid reporting which is on a "cash basis."

Availability of Funds Held Balances for Withdrawal: The Association wishes to avoid potential abuse of this feature. The Association is not a chartered depository institution. Therefore, a Funds Held account cannot be treated as a deposit account from which funds can be withdrawn on demand. However, withdrawals may be approved by management, on an exception basis, not to exceed four withdrawals per calendar year per loan.

Borrowers shall be provided adequate disclosures regarding:

- The fact that Funds Held balances are uninsured, including an explanation of the risk in the event of liquidation of the institution;
- Limits on amounts that can be paid into Funds Held;
- Interest rates that will be paid; and
- Withdrawal guidelines or restrictions.

Responsibility

Association management will be responsible for monitoring and approving Funds Held withdrawals. We may delegate Funds Held withdrawal approvals to branch managers.

Association management shall report to the Board of Directors, on an annual basis, information concerning customer's use of the Funds Held account.

The Board of Directors will periodically review the adequacy of the provisions of this policy.

Delta Agricultural Credit Association
P.O. Box 750 • Dermott, AR 71638 • (870) 538-3258

Visit us at www.deltaaca.com