Delta Agricultural Credit Association

Quarterly Report
March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Delta Agricultural Credit Association (the parent) and Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, PCA (the subsidiaries). This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2015 (2015 Annual Report).

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

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

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

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2015 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

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 climate change continues to provide challenges to the local farming community. As predicated, the local field crop economy is experiencing some stress from the unbalanced income and expense situation that developed in 2015 resulting in some erosion of working capital. Livestock and poultry production continue to show profitable margins. The 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.

A 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. Our Farm Credit Association is enjoying a profitable economic environment.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $47.7 million at March 31, 2016, a decrease of $1.8 million from December 31, 2015. This decrease was due to seasonal repayment of loans in the first quarter of 2016.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2015. Adversely classified loans were negligible at March 31, 2016, and at December 31, 2015. 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 March 31, 2016, $24.2 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, and other property owned.

Components of Risk Assets

(dollars in thousands) As of:	**March 31** **2016**	December 31 2015
Loans:		
Nonaccrual	**$ 227**	$ 253
Accruing restructured	**--**	--
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**227**	253
Other property owned	**--**	--
Total risk assets	**$ 227**	$ 253
Total risk loans as a percentage of total loans	**0.5%**	0.5%
Nonaccrual loans as a percentage of total loans	**0.5%**	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**100.0%**	100.0%
Total delinquencies as a percentage of total loans	--	--

Note: Accruing loans include accrued interest receivable.

Our risk assets have not changed significantly from December 31, 2015 and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**March 31** **2016**	December 31 2015
Allowance as a percentage of:		
Loans	**0.3%**	0.2%
Nonaccrual loans	**53.3%**	47.8%
Total risk loans	**53.3%**	47.8%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2016.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31	**2016**	2015
Net income	**$ 139**	$ 73
Return on average assets	**1.1%**	0.7%
Return on average members' equity	**6.1%**	3.4%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section, and changes in capital discussed in the Funding, Liquidity, and Capital section.

Changes in Significant Components of Net Income

(in thousands) For the three months ended March 31		2016		2015		Increase (decrease) in net income
Net interest income	$	**408**	$	395	$	**13**
Provision for loan losses		**--**		30		**30**
Patronage income		**42**		20		**22**
Other income, net		**(3)**		(18)		**15**
Operating expenses		**307**		294		**(13)**
Provision for income taxes		**1**		--		**(1)**
Net income	$	**139**	$	73	$	**66**

The following table quantifies changes in net interest income for the three months ended March 31, 2016 compared to the same period in 2015.

Changes in Net Interest Income

(in thousands)		2016 vs 2015
Changes in volume	$	**39**
Changes in interest rates		**(26)**
Net change	$	**13**

The change in the provision for loan losses was due to first quarter 2015 increase in allowance reserve related to the poultry expansion, while in the first quarter of 2016 no increased allowance reserve was deemed necessary due to the slowdown of poultry expansion and the increase in commercial loan repayments.

The increase in patronage income was primarily due to additional patronage accrued related to an increase in the wholesale spread on our note payable.

The change in other income, net is due to a decrease in wholesale undisbursed loan fees.

The increase in operating expenses was primarily related to increases in abstracts, records, reports, and filing expenses and purchased services.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matured on March 31, 2016 and was renewed for $60.0 million with a maturity date of March 31, 2017. The note payable will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at March 31, 2016 or December 31, 2015.

Total members' equity increased $164 thousand from December 31, 2015 primarily due to net income for the period along with an increase in capital stock and participation certificates.

Farm Credit Administration regulations require us to maintain a certain level for our permanent capital ratio, total surplus ratio, and core surplus ratio. Refer to Note 6 in our 2015 Annual Report for a more complete description of these ratios.

Select Capital Ratios

As of	Regulatory Minimums	March 31 2016	December 31 2015
Permanent capital ratio	7.0%	**22.7%**	21.0%
Total surplus ratio	7.0%	**17.9%**	16.5%
Core surplus ratio	3.5%	**17.5%**	16.3%

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

REGULATORY MATTERS

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the rule are to:

- Modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise
- Ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System
- Make System regulatory capital requirements more transparent
- Meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act

The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule.

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

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.

CERTIFICATION

The undersigned have reviewed the March 31, 2016 Quarterly Report of Delta Agricultural Credit Association, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

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

May 6, 2016

CONSOLIDATED STATEMENTS OF CONDITION

Delta Agricultural Credit Association
(in thousands)
(Unaudited)

As of:		**March 31 2016**		December 31 2015
ASSETS				
Loans	**$**	**47,681**	$	49,506
Allowance for loan losses		**121**		121
Net loans		**47,560**		49,385
Investment in AgriBank, FCB		**1,196**		1,196
Accrued interest receivable		**1,273**		1,414
Other assets		**270**		273
Total assets	**$**	**50,299**	$	52,268
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**40,493**	$	41,109
Accrued interest payable		**244**		212
Patronage distribution payable		**--**		110
Other liabilities		**287**		1,726
Total liabilities		**41,024**		43,157
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Protected members' equity		**12**		12
Capital stock and participation certificates		**1,737**		1,712
Unallocated surplus		**7,526**		7,387
Total members' equity		**9,275**		9,111
Total liabilities and members' equity	**$**	**50,299**	$	52,268

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

CONSOLIDATED STATEMENTS OF INCOME

Delta Agricultural Credit Association
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31	**2016**	2015
Interest income	**$ 652**	$ 537
Interest expense	**244**	142
Net interest income	**408**	395
Provision for loan losses	**--**	30
Net interest income after provision for loan losses	**408**	365
Other income		
Patronage income	**42**	20
Financially related services income	**1**	1
Fee loss, net	**(7)**	(22)
Miscellaneous income, net	**3**	3
Total other income	**39**	2
Operating expenses		
Salaries and employee benefits	**190**	198
Other operating expenses	**117**	96
Total operating expenses	**307**	294
Income before income taxes	**140**	73
Provision for income taxes	**1**	--
Net income	**$ 139**	$ 73

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)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2014	$ 13	$ 1,827	$ 6,735	$ 8,575
Net income	--	--	73	73
Capital stock and participation certificates issued	--	166	--	166
Capital stock and participation certificates retired	--	(194)	--	(194)
Balance at March 31, 2015	$ 13	$ 1,799	$ 6,808	$ 8,620
Balance at December 31, 2015	$ 12	$ 1,712	$ 7,387	$ 9,111
Net income	**--**	**--**	**139**	**139**
Capital stock and participation certificates issued	**--**	**160**	**--**	**160**
Capital stock and participation certificates retired	**--**	**(135)**	**--**	**(135)**
Balance at March 31, 2016	**$ 12**	**$ 1,737**	**$ 7,526**	**$ 9,275**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2015 (2015 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of Delta Agricultural Credit Association (the parent) and Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We are currently evaluating the impact of accounting standards that have been issued, but are not yet effective on our Consolidated Financial Statements. Refer to Note 2 in our 2015 Annual Report for additional information.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**March 31, 2016**		December 31, 2015	
	Amount	%	Amount	%
Real estate mortgage	**$ 36,162**	**75.8%**	$ 35,749	72.2%
Production and intermediate term	**11,478**	**24.1%**	13,715	27.7%
Rural residential real estate	**41**	**0.1%**	42	0.1%
Total	**$ 47,681**	**100.0%**	$ 49,506	100.0%

Delinquency

Aging Analysis of Loans

(in thousands)

As of March 31, 2016	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	**$ 37,280**	**$ 37,280**
Production and intermediate term	**11,633**	**11,633**
Rural residential real estate	**41**	**41**
Total	**$ 48,954**	**$ 48,954**

As of December 31, 2015	Not Past Due or Less than 30 Days Past Due	Total
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

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at March 31, 2016 and December 31, 2015.

Risk Loans

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

Risk Loan Information

(in thousands) As of:		**March 31** **2016**		December 31 2015
Volume with specific reserves	**$**	**227**	$	253
Volume without specific reserves		**--**		--
Total risk loans	**$**	**227**	$	253
Total specific reserves	**$**	**23**	$	23
For the three months ended March 31		**2016**		2015
Income on accrual risk loans	**$**	**--**	$	2
Income on nonaccrual loans		**--**		2
Total income on risk loans	**$**	**--**	$	4
Average risk loans	**$**	**250**	$	131

Note: Accruing loans include accrued interest receivable.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at March 31, 2016

Troubled Debt Restructurings (TDRs)

There were no TDRs that were outstanding at March 31, 2016 or December 31, 2015. In addition, there were no TDRs that occurred during the three months ended March 31, 2016 and 2015.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) Three months ended March 31		**2016**		2015
Balance at beginning of period	**$**	**121**	$	69
Provision for loan losses		**--**		30
Balance at end of period	**$**	**121**	$	99

NOTE 3: MEMBERS' EQUITY

Regulatory Capitalization Requirements

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. The effective date of the new capital requirements is January 1, 2017.

FCA Revised Capital Requirements

	Regulatory Minimums	**Capital Conservation Buffer**	**Total**
Risk adjusted:			
Common equity Tier 1 ratio	4.5%	2.5%	7.0%
Tier 1 capital ratio	6.0%	2.5%	8.5%
Total capital ratio	8.0%	2.5%	10.5%
Tier 1 leverage ratio	4.0%	1.0%	5.0%

If capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2015 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2016 or December 31, 2015.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	**As of March 31, 2016**				**Three months ended March 31, 2016**
	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Impaired loans	**$ --**	**$ 214**	**$ --**	**$ 214**	**$ --**
	As of December 31, 2015				Three months ended March 31, 2015
	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	(Losses)
Impaired loans	$ --	$ 242	$ --	$ 242	$ (24)

Valuation Techniques

Impaired loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 6, 2016 which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.