Premier Farm Credit

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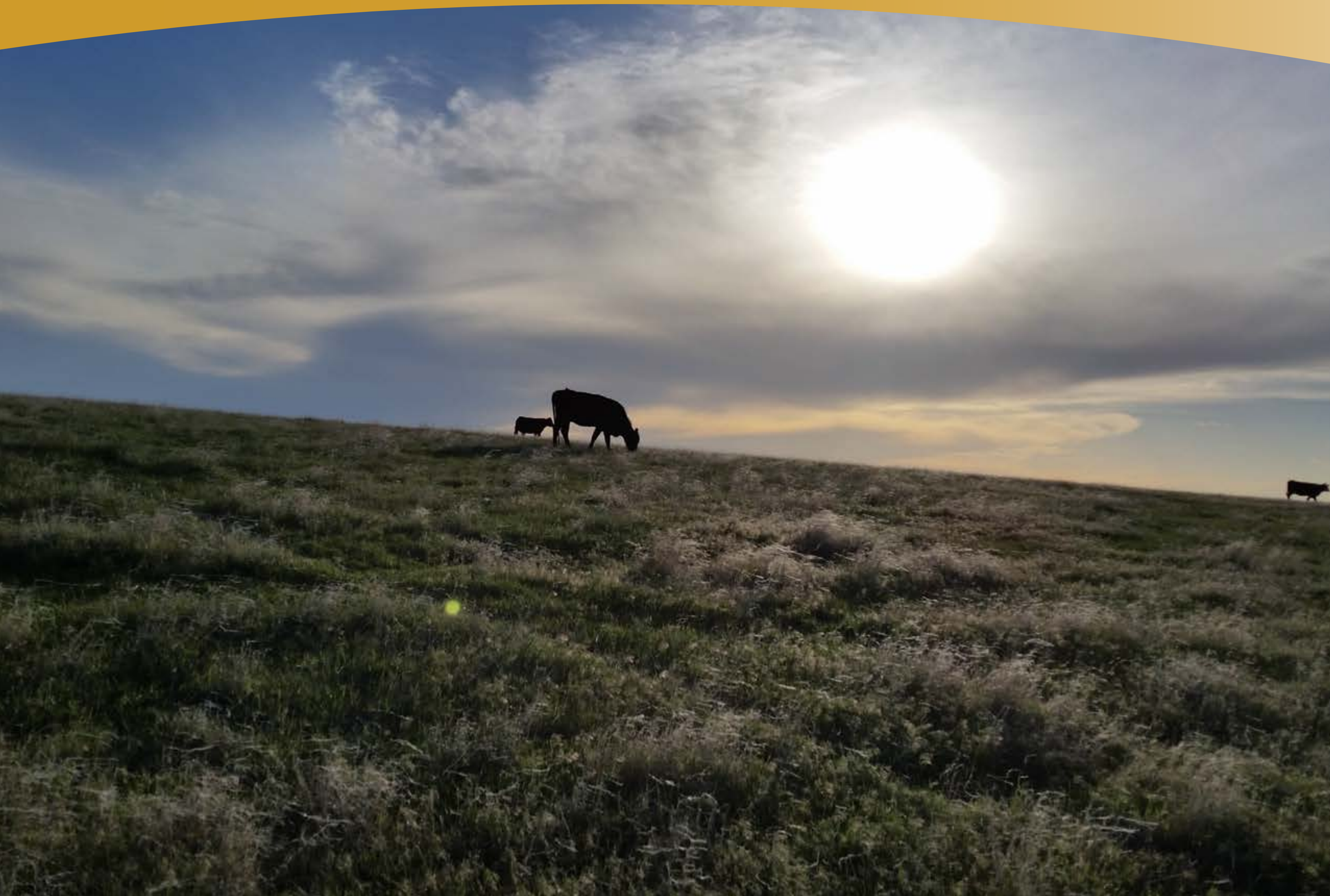
1st QUARTER REPORT 2016



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

(Dollars in Thousands, Except as Noted)
(Unaudited)

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, ACA for the three months ended March 31, 2016, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2015 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Premier Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2015 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 202 Poplar Street, Sterling, Colorado 80751, or calling (970) 522-5295.

CURRENT OVERVIEW

The loan renewal season has revealed mixed results for operations within our territory. Corn and wheat producers generally had good production in 2015. Prices remained below the cost of production for many producers resulting in losses for some operations. Feedlot and stocker operations also suffered losses in 2015 resulting from record high placement costs in early 2015 followed by significant cattle price declines in the later part of the year. These segments of our loan portfolio are reflecting more credit stress as working capital and loan margins have deteriorated. Cow-calf operations continued to reflect favorable earnings in 2015 but at a lesser level than the previous year due to lower calf prices. Most operations continue to maintain adequate financial stability and credit strength due to prior earnings and asset appreciation. The production outlook for 2016 is favorable at this time. The territory has received adequate fall and winter moisture. Reservoirs have filled and water supplies are adequate going into spring and early summer. At this time credit quality is anticipated to remain strong in 2016; however, additional deterioration is anticipated due to continued lower grain commodity prices.

LOAN PORTFOLIO

Loans outstanding at March 31, 2016 totaled $630,540, a decrease of $13,203, or 2.05%, from loans of $643,743 at December 31, 2015. The decrease was primarily due to operating loan repayments and scheduled principal payments on term loans which occurred after the first of the year. These repayments were only partially offset with new loan volume. New loan demand during the first quarter was significantly reduced compared to prior years as producers have become more conservative given current economic conditions.

The Association is a party to a shared lending operation known as the Commercial Finance Group (CFG). The alliance includes our Association along with several other Associations within the CoBank and AgriBank Districts. Along with these Associations, we pool our resources to coordinate and enhance the marketing, originating and servicing of large, complex commercial and mortgage loans, as well as diversify risk. This agreement was consummated in December 2010.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2016 was $2,589, a decrease of $55, or 2.08%, from the same period ended one year ago. The decrease in net income is primarily attributed to increased provision for credit losses and a slight increase in noninterest expense. These reductions to net income were only partially offset by increased net interest income realized during the period.

Net interest income for the three months ended March 31, 2016 was $4,139, an increase of $224, or 5.72%, compared with March 31, 2015. Net interest income increased as a result of increased average loan volume compared to the same prior year period.

The provision for credit losses for the three months ended March 31, 2016 was $244, compared to a provision for credit losses of $12 for the same period ended one year ago. The provision for credit losses increased as a result of declining credit quality in the direct loan portfolio and revised weight factors utilized to calculate the allowance for loan losses.

Noninterest income decreased $13 during the first three months of 2016 compared with the first three months in 2015. The reduction was primarily due to reduced mineral and related services income partially offset by increased patronage refund and loan fee income.

We received mineral income of $93 during the first three months of 2016, which is distributed to us quarterly by CoBank.

During the first three months of 2016, noninterest expense increased $32 to $2,208, primarily due to increased expenses for purchased service from AgVantis, Farm Credit Insurance Fund premiums, and other noninterest expense. These increases were partially offset by reduced salary and employee benefit expense. Purchased services from AgVantis and Farm Credit Insurance fund premiums increased due to rate increases in addition to a higher Association loan volume base. Other noninterest expense increased primarily due to higher servicing fees and other costs related to the participation loan portfolio. Salary and employee benefits decreased due to a combination of reduced pension and bonus expense partially offset by increased compensation and other benefit expenses.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2016 was $137,882, an increase from $135,303 at December 31, 2015. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, offset by net stock reductions.

REGULATORY MATTERS

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

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

The FCA has not yet made public the text of the New Capital Regulations. The description below is based on the news release and fact sheet (the "Available New Capital Regulations Information") that the FCA released on March 10, 2016 when it adopted the New Capital Regulations.

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

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

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

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

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

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

Lyndsey D Graves
Chair of the Audit Committee
May 5, 2016

Rick Sanger
President & CEO
May 5, 2016

Michael Grauberger
Chief Financial Officer
May 5, 2016

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2016 UNAUDITED	December 31 2015 AUDITED
ASSETS		
Loans	$ 630,540	$ 643,743
Less allowance for loan losses	2,260	2,133
Net loans	628,280	641,610
Cash	3,141	7,181
Accrued interest receivable	7,193	8,030
Investment in CoBank, ACB	19,713	19,670
Premises and equipment, net	1,195	1,242
Prepaid benefit expense	215	368
Deferred tax asset	82	82
Other assets	1,951	4,347
Total assets	$ 661,770	$ 682,530
LIABILITIES		
Note payable to CoBank, ACB	$ 502,325	$ 528,720
Advance conditional payments	16,672	11,233
Accrued interest payable	872	846
Patronage distributions payable	-	3,000
Accrued benefits liability	355	353
Reserve for unfunded commitments	337	218
Other liabilities	3,327	2,857
Total liabilities	523,888	547,227
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	944	956
Unallocated retained earnings	136,991	134,402
Accumulated other comprehensive (loss)/income	(53)	(55)
Total shareholders' equity	137,882	135,303
Total liabilities and shareholders' equity	$ 661,770	$ 682,530

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended March 31	
UNAUDITED	**2016**	2015
INTEREST INCOME		
Loans	**$ 6,697**	$ 6,244
Total interest income	**6,697**	6,244
INTEREST EXPENSE		
Note payable to CoBank	**2,549**	2,317
Other	**9**	12
Total interest expense	**2,558**	2,329
Net interest income	**4,139**	3,915
Provision for credit losses	**244**	12
Net interest income after provision for credit losses	**3,895**	3,903
NONINTEREST INCOME		
Financially related services income	**64**	72
Loan fees	**85**	77
Patronage refund from Farm Credit Institutions	**615**	486
Mineral income	**93**	233
Other noninterest income	**57**	59
Total noninterest income	**914**	927
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,105**	1,235
Occupancy and equipment	**108**	114
Purchased services from AgVantis, Inc.	**335**	248
Farm Credit Insurance Fund premium	**193**	142
Supervisory and examination costs	**57**	54
Other noninterest expense	**410**	383
Total noninterest expense	**2,208**	2,176
Income before income taxes	**2,601**	2,654
Provision for income taxes	**12**	10
Net income	**2,589**	2,644
OTHER COMPREHENSIVE INCOME		
Amortization of retirement costs	**2**	3
Total comprehensive income	**$ 2,591**	$ 2,647

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2014	$ 960	$ 126,593	$ (68)	$ 127,485
Comprehensive income		2,644	3	2,647
Stock issued	19			19
Stock retired	(13)			(13)
Balance at March 31, 2015	$ 966	$ 129,237	$ (65)	$ 130,138
Balance at December 31, 2015	$ 956	$ 134,402	$ (55)	$ 135,303
Comprehensive income		2,589	2	2,591
Stock issued	13			13
Stock retired	(25)			(25)
Balance at March 31, 2016	**$ 944**	**$ 136,991**	**$ (53)**	**$ 137,882**

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

NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations.

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

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

Certain amounts in the prior period financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	March 31, 2016	December 31, 2015
Real estate mortgage	**$ 358,800**	$ 364,923
Production and intermediate-term	**131,858**	150,739
Agribusiness:		
Loans to cooperatives	**18,779**	12,093
Processing and marketing	**78,207**	70,339
Farm-related business	**6,710**	7,892
Rural infrastructure:		
Communication	**12,047**	12,627
Energy	**18,937**	19,862
Water and waste water	**2,858**	2,909
Rural residential real estate	**352**	359
Agricultural export finance	**1,992**	2,000
Total loans	**$ 630,540**	$ 643,743

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2016:

	Other Farm Credit Institutions	
	Purchased	Sold
Real estate mortgage	$ 17,805	$ 11,691
Production and intermediate-term	14,178	8,297
Agribusiness	102,184	-
Rural infrastructure	33,842	-
Agricultural export finance	1,992	-
Total	$ 170,001	$ 19,988

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

	March 31, 2016	December 31, 2015
Real estate mortgage		
Acceptable	**95.81%**	97.06%
OAEM	**2.77%**	2.07%
Substandard	**1.42%**	0.87%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**88.49%**	93.74%
OAEM	**4.62%**	1.73%
Substandard	**6.89%**	4.53%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**97.08%**	96.57%
OAEM	**1.39%**	1.65%
Substandard	**1.53%**	1.78%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**95.16%**	95.29%
OAEM	**2.20%**	2.11%
Substandard	**2.64%**	2.60%
Total	**100.00%**	100.00%

Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**94.47%**	96.13%
OAEM	**2.89%**	1.93%
Substandard	**2.64%**	1.94%
Total	**100.00%**	100.00%

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

(dollars in thousands)	**March 31, 2016**	December 31, 2015
Nonaccrual loans		
Rural infrastructure	**$ 896**	$ 922
Total nonaccrual loans	**896**	922
Total high risk assets	**$ 896**	$ 922

Additional impaired loan information is as follows:

	March 31, 2016			December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for credit losses:						
Rural infrastructure	**$ 896**	**$ 1,100**	**$ -**	$ 922	$ 1,111	$ -
Total	**$ 896**	**$ 1,100**	**$ -**	$ 922	$ 1,111	$ -
Total impaired loans:						
Rural infrastructure	**$ 896**	**$ 1,100**	**$ -**	$ 922	$ 1,111	$ -
Total	**$ 896**	**$ 1,100**	**$ -**	$ 922	$ 1,111	$ -

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

	For the Three Months Ended March 31, 2016		For the Three Months Ended March 31, 2015	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:				
Rural infrastructure	**$ 912**	**$ -**	$ 936	$ -
Total	**$ 912**	**$ -**	$ 936	$ -
Total impaired loans:				
Rural infrastructure	**$ 912**	**$ -**	$ 936	$ -
Total	**$ 912**	**$ -**	$ 936	$ -

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

March 31, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 363,903	$ 363,903	$ -
Production and intermediate-term	35	-	35	133,491	133,526	-
Agribusiness	-	-	-	104,028	104,028	-
Rural infrastructure	-	-	-	33,928	33,928	-
Rural residential real estate	-	-	-	353	353	-
Agricultural export finance	-	-	-	1,995	1,995	-
Total	$ 35	$ -	$ 35	$ 637,698	$ 637,733	$ -

December 31, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 370,705	$ 370,705	$ -
Production and intermediate-term	53	-	53	152,480	152,533	-
Agribusiness	-	-	-	90,710	90,710	-
Rural infrastructure	-	-	-	35,462	35,462	-
Rural residential real estate	-	-	-	361	361	-
Agricultural export finance	-	-	-	2,002	2,002	-
Total	$ 53	$ -	$ 53	$ 651,720	$ 651,773	$ -

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

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

	Balance at December 31, 2015	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2016
Real estate mortgage	$ 935	$ -	$ -	$ 16	$ 951
Production and intermediate-term	432	1	3	79	513
Agribusiness	544	-	-	34	578
Rural infrastructure	212	-	-	(3)	209
Agricultural export finance	10	-	-	(1)	9
Total	$ 2,133	$ 1	$ 3	$ 125	$ 2,260

	Balance at December 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2015
Real estate mortgage	$ 717	$ -	$ -	$ (2)	$ 715
Production and intermediate-term	322	-	4	(103)	223
Agribusiness	599	-	-	(91)	508
Rural infrastructure	233	-	-	(19)	214
Agricultural export finance	11	-	-	(1)	10
Total	$ 1,882	$ -	$ 4	$ (216)	$ 1,670

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

	For the Three Months Ended March 31	
	2016	2015
Balance at beginning of period	**$ 218**	$ -
Provision for unfunded commitments	**119**	228
Total	**$ 337**	$ 228

	Allowance for Credit Losses Ending Balance at March 31, 2016		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2016	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 951	$ -	$ 363,903
Production and intermediate-term	-	513	-	133,526
Agribusiness	-	578	-	104,028
Rural infrastructure	-	209	896	33,032
Rural residential real estate	-	-	-	353
Agricultural export finance	-	9	-	1,995
Total	$ -	$ 2,260	$ 896	$ 636,837

	Allowance for Credit Losses Ending Balance at December 31, 2015		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2015	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 935	$ -	$ 370,705
Production and intermediate-term	-	432	-	152,533
Agribusiness	-	544	-	90,710
Rural infrastructure	-	212	922	34,540
Rural residential real estate	-	-	-	361
Agricultural export finance	-	10	-	2,002
Total	$ -	$ 2,133	$ 922	$ 650,851

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association recorded no TDRs during the three months ended March 31, 2016 and March 31, 2015.

The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the period.

Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings was $19 at March 31, 2016.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table.

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2016	December 31, 2015	**March 31, 2016**	December 31, 2015
Rural infrastructure	**$ 896**	$ 922	**$ 896**	$ 922
Total	**$ 896**	$ 922	**$ 896**	$ 922

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

	Three Months Ended March 31	
	2016	2015
Pension and other benefit plans:		
Beginning balance	**$ (55)**	$ (68)
Other comprehensive income before reclassifications	**-**	-
Amounts reclassified from accumulated other comprehensive loss	**2**	3
Net current period other comprehensive income/(loss)	**2**	3
Ending balance	**$ (53)**	$ (65)

The following table represents reclassifications out of accumulated other comprehensive income/(loss).

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)		Location of Gain/Loss Recognized in Statement of Income
	Three Months Ended March 31		
	2016	2015	
Pension and other benefit plans:			
Net actuarial loss	**$ 2**	$ 3	Salaries and employee benefits
Total reclassifications	**$ 2**	$ 3	

NOTE 4 - FAIR VALUE MEASUREMENTS

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

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
March 31, 2016	**$ 642**	**$ -**	**$ -**	**$ 642**
December 31, 2015	$ 590	$ -	$ -	$ 590

During the first three months of 2016, the Association recorded no transfers in or out of Levels 1, 2, or 3.

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

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Gains/(Losses)
March 31, 2016					
Loans	**$ —**	**$ —**	**$ 896**	**$ 896**	**$ -**
December 31, 2015					
Loans	$ —	$ —	$ 922	$ 922	$ -

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and takes into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

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

Valuation Techniques

As more fully discussed in Note 2 to the 2015 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying real estate collateral since the loans are collateral dependent. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established and the net loan is reported at its fair value.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 5, 2016, which is the date the financial statements were issued, and no material subsequent events were identified.