Farm Credit of Western Oklahoma, ACA

Quarterly Report
March 31, 2016

The shareholders' investment in Farm Credit of Western Oklahoma, 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 web site, **www.cobank.com**, or may be obtained at no charge by contacting us at Farm Credit of Western Oklahoma, ACA, 3302 Williams Avenue, Woodward, Oklahoma 73801, or by calling 580-256-3465 or toll free 1-800-299-3465.

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 Farm Credit of Western Oklahoma, 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.

Since last quarter, the Association's territory has continued to experience dry conditions which have adversely impacted the winter wheat crop and the spring planting conditions. Some favorable weather is in the forecast, thus the planting conditions could improve rather quickly given some much needed moisture. Cattle prices adjusted downward in late 2015 and volatility in the cattle market has continued into the first quarter of 2016 with signs of stronger prices intermittently. The price fluctuations have adversely affected the cattle operators in the area, but health and gains have been above average helping to offset some of the price pressure being experienced by local producers. Grain prices have also been under pressure since year end, which has in turn negatively impacted the prices producers are paying for farm inputs. Overall, real estate markets appear to be stable or declining somewhat, being driven primarily by the decline in the aforementioned commodity prices. Interest rates remain attractive and capital is readily available to farmers and ranchers in the area. Management of overhead expenses continues to be important for producers to maintain profitability in the current pricing environment. The recent downturn in the oil and gas economy has adversely affected some customer’s off-farm income in the short term. However, significant equities remain evident across the loan portfolio. Strong financial management will continue to be important as customers work to maintain profitability while controlling expenses and maintaining liquidity in the operations we serve.

LOAN PORTFOLIO

Loans outstanding at March 31, 2016 totaled $745,536, an increase of $3,141, or 0.42%, from loans of $742,395 at December 31, 2015. The increase was primarily due to new mortgage loan volume during the period, offset by a reduction in the commercial portfolio impacted primarily by seasonal repayments on operating lines of credit.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2016 was $2,384, a decrease of $123, or 4.93%, from the same period ended one year ago. This was driven primarily by an increase in salaries, information technology services, FCSIC premiums, and other operating expenses.

Net interest income for the three months ended March 31, 2016 was $4,870, an increase of $304, or 6.66%, compared with March 31, 2015. Net interest income increased primarily as a result of increased loan volume.

The credit loss reversal for the three months ended March 31, 2016 was $10, a decrease of $169, or 106.35%, from the provision for credit losses for the same period ended one year ago. The provision for credit losses/credit loss reversal decreased as a result of a $400 reduction in the subjective allowance calculation. This reversal was offset by a collective provision of $390 based on changing risk characteristics in certain loans.

Noninterest income increased $17 during the first three months of 2016 compared with the first three months in 2015 primarily due to net gains from the sale of other assets and an increase in CoBank patronage. This increase was offset by decreased mineral income due to lower oil and gas prices during the quarter.

Mineral income of $84 was recognized during the first three months of 2016, which is distributed quarterly by CoBank.

During the first three months of 2016, noninterest expense increased $613 to $3,446, primarily due to an increase in salaries, information technology services, FCSIC premiums, and other operating expenses.

CAPITAL RESOURCES

Our shareholders’ equity at March 31, 2016 was $137,954, an increase from $135,572 at December 31, 2015. This increase is due to net income, other comprehensive income, and stock reductions since year end.

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.

OTHER MATTERS

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

Ronald White Chairman of the Board May 4, 2016	John Grunewald President/CEO May 4, 2016	Jamey B. Mitchell, CPA Chief Financial Officer May 4, 2016

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2016	December 31 2015
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 745,536**	$ 742,395
Less allowance for loan losses	**2,226**	2,263
Net loans	**743,310**	740,132
Cash	**2,350**	2,880
Accrued interest receivable	**12,174**	10,350
Investment in CoBank, ACB	**23,198**	23,198
Premises and equipment, net	**2,586**	2,535
Prepaid benefit expense	**160**	392
Other assets	**1,875**	3,729
Total assets	**$ 785,653**	$ 783,216
LIABILITIES		
Note payable to CoBank, ACB	**$ 633,360**	$ 633,600
Advance conditional payments	**8,411**	7,349
Accrued interest payable	**1,056**	1,018
Patronage distributions payable	**2,200**	2,200
Accrued benefits liability	**224**	226
Reserve for unfunded commitments	**264**	243
Other liabilities	**2,184**	3,008
Total liabilities	**647,699**	647,644
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**2,002**	2,005
Additional paid-in capital	**33,619**	33,619
Unallocated retained earnings	**102,360**	99,976
Accumulated other comprehensive (loss)/income	**(27)**	(28)
Total shareholders' equity	**137,954**	135,572
Total liabilities and shareholders' equity	**$ 785,653**	$ 783,216

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended March 31 **2016**	2015
INTEREST INCOME		
Loans	**$ 7,836**	$ 7,167
Total interest income	**7,836**	7,167
INTEREST EXPENSE		
Note payable to CoBank	**2,943**	2,581
Other	**23**	20
Total interest expense	**2,966**	2,601
Net interest income	**4,870**	4,566
(Credit loss reversals)/Provision for credit losses	**(10)**	159
Net interest income after provision for credit loss reversals/credit losses	**4,880**	4,407
NONINTEREST INCOME		
Financially related services income	**2**	6
Loan fees	**6**	5
Patronage refund from Farm Credit Institutions	**703**	634
Mineral income	**84**	240
Other noninterest income	**155**	48
Total noninterest income	**950**	933
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,748**	1,531
Occupancy and equipment	**140**	115
Purchased services from AgVantis, Inc.	**422**	300
Farm Credit Insurance Fund premium	**230**	171
Merger-implementation costs	**-**	2
Supervisory and examination costs	**56**	55
Other noninterest expense	**850**	659
Total noninterest expense	**3,446**	2,833
Net income	**2,384**	2,507
OTHER COMPREHENSIVE INCOME		
Other comprehensive income	**1**	1
Comprehensive income	**$ 2,385**	$ 2,508

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	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2014	$ 1,966	$ 33,619	$ 92,535	$ (22)	$ 128,098
Comprehensive income			2,507	1	2,508
Stock issued	44				44
Stock retired	(48)				(48)
Balance at March 31, 2015	$ 1,962	$ 33,619	$ 95,042	$ (21)	$ 130,602
Balance at December 31, 2015	$ 2,005	$ 33,619	$ 99,976	$ (28)	$ 135,572
Comprehensive income			2,384	1	2,385
Stock issued	42				42
Stock retired	(45)				(45)
Balance at March 31, 2016	**$ 2,002**	**$ 33,619**	**$ 102,360**	**$ (27)**	**$ 137,954**

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 Farm Credit of Western Oklahoma, 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	**$ 470,000**	$ 453,286
Production and intermediate-term	**262,826**	272,071
Agribusiness:		
Loans to cooperatives	**8,123**	11,618
Farm-related business	**1,039**	1,797
Rural infrastructure:		
Communication	**1,601**	1,648
Energy	**766**	768
Rural residential real estate	**1,181**	1,207
Total loans	**$ 745,536**	$ 742,395

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		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
*Real estate mortgage	$ 25,694	$ 8,882	$ 1,556	$ -	$ 27,250	$ 8,882
Production and intermediate-term	23,523	4,024	-	-	23,523	4,024
Agribusiness	6,978	-	-	-	6,978	-
Rural infrastructure	2,462	-	-	-	2,462	-
Total	$ 58,657	$ 12,906	$ 1,556	$ -	$ 60,213	$ 12,906

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	**95.99%**	98.31%
OAEM	**3.43%**	1.25%
Substandard	**0.58%**	0.44%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**94.49%**	97.06%
OAEM	**3.54%**	2.77%
Substandard	**1.97%**	0.17%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**67.65%**	68.21%
OAEM	**32.35%**	31.79%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	99.54%
OAEM	**-%**	0.46%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**95.43%**	97.79%
OAEM	**3.51%**	1.88%
Substandard	**1.06%**	0.33%
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		
Real estate mortgage	**$ 579**	$ 665
Total nonaccrual loans	**579**	665
Accruing restructured loans		
Real estate mortgage	**107**	123
Total accruing restructured loans	**107**	123
Total impaired loans	**$ 686**	$ 788

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:						
Real estate mortgage	**$ 685**	**$ 742**	**$ -**	$ 788	$ 792	$ -
Production and intermediate-term	**-**	**1,349**	**-**	-	1,349	-
Total	**$ 685**	**$ 2,091**	**$ -**	$ 788	$ 2,141	$ -
Total impaired loans:						
Real estate mortgage	**$ 685**	**$ 742**	**$ -**	$ 788	$ 792	$ -
Production and intermediate-term	**-**	**1,349**	**-**	-	1,349	-
Total	**$ 685**	**$ 2,091**	**$ -**	$ 788	$ 2,141	$ -

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:				
Real estate mortgage	**$ 916**	**$ 3**	$ 145	$ 1
Total	**$ 916**	**$ 3**	$ 145	$ 1
Total impaired loans:				
Real estate mortgage	**$ 916**	**$ 3**	$ 145	$ 1
Total	**$ 916**	**$ 3**	$ 145	$ 1

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	$ 1,311	$ -	$ 1,311	$ 476,504	$ 477,815	$ -
Production and intermediate-term	427	-	427	266,715	267,142	-
Agribusiness	-	-	-	9,198	9,198	-
Rural infrastructure	-	-	-	2,368	2,368	-
Rural residential real estate	-	-	-	1,187	1,187	-
Total	$ 1,738	$ -	$ 1,738	$ 755,972	$ 757,710	$ -

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	$ 1,143	$ 665	$ 1,808	$ 458,182	$ 459,990	$ -
Production and intermediate-term	521	-	521	275,129	275,650	-
Agribusiness	-	-	-	13,476	13,476	-
Rural infrastructure	-	-	-	2,417	2,417	-
Rural residential real estate	-	-	-	1,212	1,212	-
Total	$ 1,664	$ 665	$ 2,329	$ 750,416	$ 752,745	$ -

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	$ 243	$ -	$ -	$ 13	$ 256
Production and intermediate-term	1,975	8	2	(35)	1,934
Agribusiness	26	-	-	(8)	18
Rural infrastructure	18	-	-	(1)	17
Rural residential real estate	1	-	-	-	1
Total	$ 2,263	$ 8	$ 2	$ (31)	$ 2,226

	Balance at December 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2015
Real estate mortgage	$ 167	$ -	$ -	$ (6)	$ 161
Production and intermediate-term	1,994	7	3	(34)	1,956
Agribusiness	84	-	-	(70)	14
Rural infrastructure	3	-	-	6	9
Rural residential real estate	1	-	-	-	1
Total	$ 2,249	$ 7	$ 3	$ (104)	$ 2,141

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's consolidated statement of condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the consolidated statement of comprehensive income, along with the provision for loan losses.

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

	For the Three Months Ended March 31	
	2016	2015
Balance at beginning of period	**$ 243**	$ -
Provision for unfunded commitments	**21**	263
Total	**$ 264**	$ 263

	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	$ -	$ 256	$ 685	$ 477,130
Production and intermediate-term	-	1,934	-	267,142
Agribusiness	-	18	-	9,198
Rural infrastructure	-	17	-	2,368
Rural residential real estate	-	1	-	1,187
Total	$ -	$ 2,226	$ 685	$ 757,025

	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	$ -	$ 243	$ 788	$ 459,202
Production and intermediate-term	-	1,975	-	275,650
Agribusiness	-	26	-	13,476
Rural infrastructure	-	18	-	2,417
Rural residential real estate	-	1	-	1,212
Total	$ -	$ 2,263	$ 788	$ 751,957

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. The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the period. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring 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
Real estate mortgage	**$ 120**	$ 136	**$ -**	$ -
Total	**$ 120**	$ 136	**$ -**	$ -

* 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	**$ (28)**	$ (22)
Other comprehensive income before reclassifications	**1**	1
Ending balance	**$ (27)**	$ (21)

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	**$ 1**	$ 1	Salaries and employee benefits
Total reclassifications	**$ 1**	$ 1	

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	**$ 174**	**$ -**	**$ -**	**$ 174**
December 31, 2015	$ 148	$ -	$ -	$ 148

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.

The Association had no assets or 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.

NOTE 5- SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 4th, 2016 which is the date the financial statements were issued, and no material subsequent events were identified.