1st Farm Credit Services, ACA

Quarterly Report
March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of 1st Farm Credit Services, ACA (the parent) and 1st Farm Credit Services, FLCA and 1st Farm Credit Services, 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 1st Farm Credit Services, ACA. To request free copies of the AgriBank and combined AgriBank and affiliated Associations' financial reports or additional copies of our report, contact us at:

1st Farm Credit Services, ACA
2000 Jacobssen Drive
Normal, IL 61761
(309 268-0100
www.1stfarmcredit.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

Illinois farmers and ranchers began preparation for planting; activities included fixing equipment, tilling fields, and applying anhydrous ammonia. According to the USDA Illinois Crop Progress and Condition report, statewide temperatures averaged 46.1 degrees, 5.9 degrees above normal. Topsoil moisture conditions statewide were rated 96 percent adequate to surplus.

According to the Prospective Plantings report released by the U.S. Department of Agriculture's National Agricultural Statistics Service (NASS), Illinois farmers intend to plant 12.1 million acres of corn for all purposes in 2016, up 3 percent from 2015. Across the United States, corn growers intend to plant 93.6 million acres in 2016. This is the first increase in corn planted acreage since 2012 and, if realized, will be the third largest corn acreage since 1944.

Illinois soybean producers begin the 2016 crop year intending to plant 10.0 million acres, up 2 percent from last year. Producers across the United States intend to plant an estimated 82.2 million acres of soybeans in 2016, a less than 1 percent decrease from last year.

Corn prices in Central Illinois at March 31, 2016 were $3.42 per bushel, down $0.16 per bushel compared to one year ago. Lower prices will continue to benefit our livestock producers through lower feed costs. Soybean prices for the same period were $8.92 per bushel, down $0.70 per bushel.

According to the March 2016 Hogs and Pigs Report, as of March 1, in the United States the number of hogs and pigs were 67.6 million up slightly from March 2015, but down 1 percent from December 1, 2015. The average pigs saved per litter was 10.30 for the December-February period, compared to 10.17 last year.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $5.3 billion at March 31, 2016, an increase of $12.2 million from December 31, 2015. The increase was primarily due to real estate loan growth offset by increased repayments on commercial loan balances, which is typical following post year end grain sales.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2015. Adversely classified loans were 1.5% of the portfolio at March 31, 2016 and December 31, 2015. Adversely classified loans are loans with well-defined credit weakness. 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, $430.4 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	**$28,998**	$27,704
Accruing restructured	**1,287**	1,658
Accruing loans 90 days or more past due	**846**	5,542
Total risk loans	**31,131**	34,904
Other property owned	**295**	--
Total risk assets	**$31,426**	$34,904
Total risk loans as a percentage of total loans	**0.6%**	0.7%
Nonaccrual loans as a percentage of total loans	**0.5%**	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**39.5%**	43.8%
Total delinquencies as a percentage of total loans	**0.6%**	0.5%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased 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.

Nonaccrual loans remained at an acceptable level at March 31, 2016.

Our accounting policy requires accruing loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, all accruing loans 90 days or more past due were eligible to remain in accruing status.

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%**	0.3%
Nonaccrual loans	**60.1%**	65.0%
Total risk loans	**56.0%**	51.6%

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	**$22,337**	$21,481
Return on average assets	**1.6%**	1.7%
Return on average members' equity	**9.0%**	9.3%

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	**$30,688**	$29,937	**$751**
(Reversal of) provision for loan losses	**(460)**	75	**535**
Patronage income	**4,775**	5,018	**(243)**
Other income, net	**2,519**	1,910	**609**
Operating expenses	**15,707**	14,727	**(980)**
Provision for income taxes	**398**	582	**184**
Net income	**$22,337**	$21,481	**$856**

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	**$3,258**
Changes in interest rates	**(2,560)**
Changes in nonaccrual income and other	**53**
Net change	**$751**

The change in the (reversal of) provision for loan losses was primarily related to a decreased exposure due to historically high farm land values.

The change in operating expenses was primarily related to increase in salaries and Farm Credit System Insurance Corporation (FCSIC) expense. FCSIC expense increased primarily due to an increase in the premium rate charged on accrual loans by FCSIC from 13 basis points in 2015 to 16 basis points for the first half and 18 basis points for the second half of 2016.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures November 30, 2016, at which time the note will be renegotiated. 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 $17.7 million from December 31, 2015 primarily due to net income for the period, which was partially offset by patronage distribution accruals.

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 7 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%	**16.2%**	16.4%
Total surplus ratio	7.0%	**16.0%**	16.2%
Core surplus ratio	3.5%	**16.0%**	16.2%

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 1st Farm Credit Services, ACA, 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.

Jeffrey Austman
Chairperson of the Board
1st Farm Credit Services, ACA

Gary J. Ash
President and Chief Executive Officer
1st Farm Credit Services, ACA

James F. Garvin
Chief Financial Officer
1st Farm Credit Services, ACA

May 5, 2016

CONSOLIDATED STATEMENTS OF CONDITION

1st Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**March 31 2016**	December 31 2015
ASSETS		
Loans	**$5,257,182**	$5,244,991
Allowance for loan losses	**17,428**	17,998
Net loans	**5,239,754**	5,226,993
Investment in AgriBank, FCB	**127,255**	125,702
Investment securities	**131,458**	134,351
Accrued interest receivable	**43,403**	45,167
Other property owned	**295**	--
Other assets	**41,000**	43,139
Total assets	**$5,583,165**	$5,575,352
LIABILITIES		
Note payable to AgriBank, FCB	**$4,542,861**	$4,535,834
Accrued interest payable	**17,442**	15,683
Patronage distribution payable	**4,624**	18,000
Other liabilities	**12,845**	18,123
Total liabilities	**4,577,772**	4,587,640
Contingencies and commitments (Note 5)		
MEMBERS' EQUITY		
Protected members' equity	**7**	8
Capital stock and participation certificates	**10,001**	10,025
Unallocated surplus	**995,385**	977,679
Total members' equity	**1,005,393**	987,712
Total liabilities and members' equity	**$5,583,165**	$5,575,352

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

CONSOLIDATED STATEMENTS OF INCOME

1st Farm Credit Services, ACA
(in thousands)
(Unaudited)

For the three months ended March 31	**2016**	2015
Interest income	**$48,130**	$43,825
Interest expense	**17,442**	13,888
Net interest income	**30,688**	29,937
(Reversal of) provision for loan losses	**(460)**	75
Net interest income after (reversal of) provision for loan losses	**31,148**	29,862
Other income		
Patronage income	**4,775**	5,018
Financially related services income	**444**	305
Fee income	**1,790**	1,374
Miscellaneous income, net	**285**	231
Total other income	**7,294**	6,928
Operating expenses		
Salaries and employee benefits	**10,290**	9,575
Other operating expenses	**5,417**	5,152
Total operating expenses	**15,707**	14,727
Income before income taxes	**22,735**	22,063
Provision for income taxes	**398**	582
Net income	**$22,337**	$21,481

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

1st Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2014	$9	$9,953	$904,496	$914,458
Net income	--	--	21,481	21,481
Unallocated surplus designated for patronage distributions	--	--	(2,313)	(2,313)
Capital stock and participation certificates issued	--	187	--	187
Capital stock and participation certificates retired	--	(198)	--	(198)
Balance at March 31, 2015	$9	$9,942	$923,664	$933,615
Balance at December 31, 2015	$8	$10,025	$977,679	$987,712
Net income	**--**	**--**	**22,337**	**22,337**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(4,631)**	**(4,631)**
Capital stock and participation certificates issued	**--**	**168**	**--**	**168**
Capital stock and participation certificates retired	**(1)**	**(192)**	**--**	**(193)**
Balance at March 31, 2016	**$7**	**$10,001**	**$995,385**	**$1,005,393**

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 1st Farm Credit Services, ACA (the parent) and 1st Farm Credit Services, FLCA and 1st Farm Credit Services, 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** Amount	%	December 31, 2015 Amount	%
Real estate	**$2,735,669**	**52.0%**	$2,711,006	51.7%
Commercial	**2,034,167**	**38.7%**	2,081,360	39.7%
Other	**487,346**	**9.3%**	452,625	8.6%
Total	**$5,257,182**	**100.0%**	$5,244,991	100.0%

The Other category is primarily comprised of communication and energy-related loans and purchased government guaranteed loans and bonds originated under the Mission Related Investment authority.

Delinquency

Aging Analysis of Loans

(in thousands)

As of 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	Total	90 Days or More Past Due and Accruing
Real estate	**$5,373**	**$3,784**	**$9,157**	**$2,751,391**	**$2,760,548**	**$760**
Commercial	**10,467**	**10,172**	**20,639**	**2,030,323**	**2,050,962**	**86**
Other	**1,150**	**--**	**1,150**	**487,386**	**488,536**	**--**
Total	**$16,990**	**$13,956**	**$30,946**	**$5,269,100**	**$5,300,046**	**$846**

As of 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	Total	90 Days or More Past Due and Accruing
Real estate	$1,993	$3,661	$5,654	$2,728,017	$2,733,671	$309
Commercial	2,757	11,589	14,346	2,087,935	2,102,281	244
Other	3,549	4,989	8,538	445,175	453,713	4,989
Total	$8,299	$20,239	$28,538	$5,261,127	$5,289,665	$5,542

Note: Accruing loans include accrued interest receivable.

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	**$8,803**	$9,506
Volume without specific reserves	**22,328**	25,398
Total risk loans	**$31,131**	$34,904
Total specific reserves	**$4,504**	$4,758
For the three months ended March 31	**2016**	2015
Income on accrual risk loans	**$22**	$30
Income on nonaccrual loans	**425**	372
Total income on risk loans	**$447**	$402
Average risk loans	**$30,087**	$27,813

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)

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 restructured loan. 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 TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

We completed TDRs of certain commercial loans during the three months ended March 31, 2015. Our recorded investment in these loans just prior to and immediately following the restructuring was $10 thousand during the three months ended March 31, 2015. The recorded investment of the loan is the face amount of the receivable 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. There were no TDRs completed during the three months ended March 31, 2016.

We had TDRs in the commercial loan category of $34 thousand and $14 thousand that defaulted during the three months ended March 31, 2016 and 2015, respectively in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**March 31** **2016**	December 31 2015
Accrual status:		
Real estate	**$1,287**	$1,652
Commercial	**--**	6
Total TDRs in accrual status	**$1,287**	$1,658
Nonaccrual status:		
Real estate	**$2,397**	$2,734
Commercial	**9,384**	9,716
Total TDRs in nonaccrual status	**$11,781**	$12,450
Total TDRs status:		
Real estate	**$3,684**	$4,386
Commercial	**9,384**	9,722
Total TDRs	**$13,068**	$14,108

There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at March 31, 2016.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) Three months ended March 31	**2016**	2015
Balance at beginning of period	**$17,998**	$15,847
(Reversal of) provision for loan losses	**(460)**	75
Loan recoveries	**45**	21
Loan charge-offs	**(155)**	(128)
Balance at end of period	**$17,428**	$15,815

The decrease in allowance for loan losses from December 31, 2015 was primarily related to $460 thousand of reversal of loan losses recorded in 2016 reflecting a decreased exposure due to historically high farmland values.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $131.5 million at March 31, 2016 and $134.4 million at December 31, 2015. Our investment securities primarily consisted of securities containing loans fully guaranteed by the Small Business Administration (SBA) and mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac).

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

Our investments are either mortgage-back securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. Farmer Mac guaranteed investments are typically MBS while SBA guaranteed investments are comprised of ABS.

Additional Investment Securities Information

(dollars in thousands) **As of March 31, 2016**	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS	**$ 6,691**	**$ 15**	**$ (14)**	**$ 6,692**	**4.0%**
ABS	**124,767**	**2,926**	**(251)**	**127,442**	**2.1%**
Total	**$ 131,458**	**$ 2,941**	**$ (265)**	**$ 134,134**	**2.2%**

As of December 31, 2015	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS	$ --	$ --	$ --	$ --	--
ABS	134,351	3,385	(261)	137,475	1.7%
Total	$ 134,351	$ 3,385	$ (261)	$ 137,475	1.7%

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $703 thousand and $683 thousand for the three months ended March 31, 2016 and 2015, respectively.

NOTE 4: 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%
Non-risk adjusted:			
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 5: 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 6: 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	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	**$ --**	**$183**	**$4,331**	**$4,514**	**$99**
Other property owned	**--**	**--**	**307**	**307**	**--**
	As of December 31, 2015				Three months ended March 31, 2015
	Fair Value Measurement Using			Total Fair	Total (Losses)
	Level 1	Level 2	Level 3	Value	Gains
Impaired loans	$ --	$340	$4,645	$4,985	($93)
Other property owned	--	--	--	--	6

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.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. 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 property and other matters, they are classified as Level 3.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 5, 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.