Farm Credit Services of Mandan, ACA

Quarterly Report
June 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of Mandan, ACA (the parent) and Farm Credit Services of Mandan, FLCA and Farm Credit Services of Mandan, 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 Farm Credit Services of Mandan, 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:

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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

Early spring moisture conditions were below average for most of our area. This allowed for planting to be done with very little rain delay. Timely rains began after crops were planted and have continued across most of our area; however, with little subsoil moisture, small grains have been stressed in parts of the territory. The hay crop is projected to be short due to the early dry conditions. Pasture conditions are average.

Lower crop prices that were experienced throughout the winter and most of our renewal season resulted in lower to no profits for grain producers. Many grain operations experienced losses during the past year while some had high yields which resulted in modest profits. Crop prices rebounded modestly for a short period of time in late spring but have since dropped back to lower levels. The price outlook for the 2016 production season appears to be similar to 2015 although soybeans prices have trended higher in recent months.

Livestock prices have dropped significantly from the highs in 2014. Producers with a cow/calf operation should see modest to good profitability for that enterprise. Producers with feeder and yearling operations will be more challenged to show a profit. There does not appear to be an opportunity to forward price or contract purchased feeders at a profit.

Purchases of machinery have slowed resulting from producers limiting their capital purchases. Real estate sales have continued to be strong, however are leveling off on the price per acre. These changes have not been drastic and have been anticipated with the current conditions.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.1 billion at June 30, 2016, an increase of $71.7 million from December 31, 2015. The increase was primarily in our agribusiness portfolio from our Commercial Finance Group alliance, traditional real estate mortgage loans, and increased production and intermediate term loan activity.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2015. Adversely classified loans increased to 1.3% of the portfolio at June 30, 2016, from 1.0% of the portfolio 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 June 30, 2016, $26.8 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:	**June 30 2016**	December 31 2015
Loans:		
Nonaccrual	**$ 2,226**	$ 2,481
Accruing restructured	**--**	2
Accruing loans 90 days or more past due	**459**	34
Total risk loans	**2,685**	2,517
Other property owned	**--**	--
Total risk assets	**$ 2,685**	$ 2,517
Total risk loans as a percentage of total loans	**0.2%**	0.2%
Nonaccrual loans as a percentage of total loans	**0.2%**	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**37.9%**	81.0%
Total delinquencies as a percentage of total loans	**0.4%**	0.1%

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.

The increase in accruing loans 90 days or more past due resulted from delinquencies in the production and intermediate term loan category.

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:	**June 30 2016**	December 31 2015
Allowance as a percentage of:		
Loans	**0.3%**	0.2%
Nonaccrual loans	**127.4%**	82.9%
Total risk loans	**105.6%**	81.7%

The increase to the allowance for loan losses from December 31, 2015 primarily resulted from increases in specific reserves in certain production and intermediate term risk loans along with credit quality changes and loan growth. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2016.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30	**2016**	2015
Net income	**$ 8,959**	$ 8,871
Return on average assets	**1.7%**	1.9%
Return on average members' equity	**9.0%**	9.7%

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 six months ended June 30		2016		2015		Increase (decrease) in net income
Net interest income	**$**	**14,101**	$	13,844	**$**	**257**
Provision for loan losses		**836**		1		**(835)**
Patronage income		**1,727**		1,046		**681**
Other income, net		**3,262**		3,174		**88**
Operating expenses		**8,705**		8,410		**(295)**
Provision for income taxes		**590**		782		**192**
Net income	**$**	**8,959**	$	8,871	**$**	**88**

Changes in Net Interest Income

(in thousands) For the six months ended June 30		2016 vs 2015
Changes in volume	**$**	**1,656**
Changes in interest rates		**(1,417)**
Changes in nonaccrual income and other		**18**
Net change	**$**	**257**

The change in the provision for loan losses is related to our estimate of losses in our portfolio, primarily resulting from changes in credit quality, an increase in volume requiring specific reserves, and loan growth.

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

The change in operating expenses was primarily due to an increase in Farm Credit System Insurance Corporation (FCSIC) expense resulting from an increase in the premium rate charged on accrual loans from 13 basis points in 2015 to 18 basis points during the first half of 2016. Also, operating expenses affiliated with our alliance in ProPartners Financial increased due to our increased share of the loan portfolio.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures on February 28, 2017, 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, and bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at June 30, 2016 or December 31, 2015.

In addition, with approval from AgriBank, on July 24, 2006, we entered into a loan agreement with CoBank, ACB (CoBank) to obtain funding in the amount not to exceed $20.0 million in connection with specific CoBank related transactions. The interest rate on such indebtedness will be established at the time of the related transactions. There was no outstanding principal at June 30, 2016 or December 31, 2015.

Total members' equity increased $7.9 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	June 30 2016	December 31 2015
Permanent capital ratio	7.0%	**15.2%**	15.0%
Total surplus ratio	7.0%	**15.0%**	14.8%
Core surplus ratio	3.5%	**15.0%**	14.8%

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

Regulatory Capital Requirements

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 ratios with common equity tier 1, tier 1 and total capital risk-based capital ratios. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. Refer to Note 7 of the accompanying Consolidated Financial Statements for additional information regarding these ratios.

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

Investment Securities Eligibility

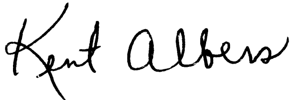
On June 12, 2014, the FCA Board approved a proposed rule to revise the requirements governing the eligibility of investments for System Banks and Associations. The stated objectives of the proposed rule are to:

- 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

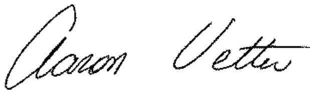
The public comment period ended on October 23, 2014.

CERTIFICATION

The undersigned have reviewed the June 30, 2016 Quarterly Report of Farm Credit Services of Mandan, 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.



Kent Albers
Chairperson of the Board
Farm Credit Services of Mandan, ACA



Aaron Vetter
Chief Executive Officer
Farm Credit Services of Mandan, ACA

Sandy Nagel
Vice President – Corporate Finance
Farm Credit Services of Mandan, ACA

August 4, 2016

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Mandan, ACA
(in thousands)
(Unaudited)

As of:		June 30 2016		December 31 2015
ASSETS				
Loans	**$**	**1,087,137**	$	1,015,414
Allowance for loan losses		**2,836**		2,057
Net loans		**1,084,301**		1,013,357
Investment in Farm Credit Institutions		**20,913**		20,074
Accrued interest receivable		**11,446**		12,449
Other assets		**12,838**		9,983
Total assets	**$**	**1,129,498**	$	1,055,863
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**916,134**	$	850,673
Accrued interest payable		**2,952**		2,106
Deferred tax liabilities, net		**889**		713
Patronage distribution payable		**1,065**		2,075
Other liabilities		**5,181**		4,891
Total liabilities		**926,221**		860,458
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**2,411**		2,435
Unallocated surplus		**200,866**		192,970
Total members' equity		**203,277**		195,405
Total liabilities and members' equity	**$**	**1,129,498**	$	1,055,863

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Services of Mandan, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2016**	2015	**2016**	2015
Interest income	**$ 10,135**	$ 8,896	**$ 19,853**	$ 17,517
Interest expense	**2,952**	1,877	**5,752**	3,673
Net interest income	**7,183**	7,019	**14,101**	13,844
Provision for loan losses	**790**	2	**836**	1
Net interest income after provision for loan losses	**6,393**	7,017	**13,265**	13,843
Other income				
Patronage income	**882**	528	**1,727**	1,046
Financially related services income	**1,375**	1,365	**2,648**	2,553
Fee income	**310**	283	**610**	556
Miscellaneous (loss) income, net	**(9)**	25	**4**	65
Total other income	**2,558**	2,201	**4,989**	4,220
Operating expenses				
Salaries and employee benefits	**2,986**	2,851	**5,855**	5,810
Other operating expenses	**1,339**	1,228	**2,850**	2,600
Total operating expenses	**4,325**	4,079	**8,705**	8,410
Income before income taxes	**4,626**	5,139	**9,549**	9,653
Provision for income taxes	**279**	402	**590**	782
Net income	**$ 4,347**	$ 4,737	**$ 8,959**	$ 8,871

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Mandan, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2014	$ 2,468	$ 177,159	$ 179,627
Net income	--	8,871	8,871
Unallocated surplus designated for patronage distributions	--	(999)	(999)
Capital stock and participation certificates issued	56	--	56
Capital stock and participation certificates retired	(83)	--	(83)
Balance at June 30, 2015	$ 2,441	$ 185,031	$ 187,472
Balance at December 31, 2015	$ 2,435	$ 192,970	$ 195,405
Net income	**--**	**8,959**	**8,959**
Unallocated surplus designated for patronage distributions	**--**	**(1,063)**	**(1,063)**
Capital stock and participation certificates issued	**66**	**--**	**66**
Capital stock and participation certificates retired	**(90)**	**--**	**(90)**
Balance at June 30, 2016	**$ 2,411**	**$ 200,866**	**$ 203,277**

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 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 six months ended June 30, 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 Farm Credit Services of Mandan, ACA (the parent) and Farm Credit Services of Mandan, FLCA and Farm Credit Services of Mandan, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

The following accounting standards have been issued during the second quarter of 2016, but are not yet effective.

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2020 and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

Refer to Note 2 in our 2015 Annual Report for additional information on other accounting standards that have been issued, but are not yet effective. We are currently evaluating the impact of the guidance on our Consolidated Financial Statements. No accounting pronouncements were adopted during the six months ended June 30, 2016.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**June 30, 2016**		December 31, 2015	
	Amount	%	Amount	%
Real estate mortgage	**$ 346,806**	**31.9%**	$ 324,979	32.0%
Production and intermediate term	**472,762**	**43.5%**	448,052	44.1%
Agribusiness	**160,558**	**14.8%**	142,811	14.1%
Other	**107,011**	**9.8%**	99,572	9.8%
Total	**$ 1,087,137**	**100.0%**	$ 1,015,414	100.0%

The other category is primarily comprised of energy, communication, and international related loans and certain assets originated under the Mission Related Investment authority, as well as finance leases.

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 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 mortgage	**$ 396**	**$ --**	**$ 396**	**$ 351,626**	**$ 352,022**	**$ --**
Production and intermediate term	**1,992**	**1,524**	**3,516**	**474,798**	**478,314**	**459**
Agribusiness	**--**	**--**	**--**	**161,056**	**161,056**	**--**
Other	**--**	**--**	**--**	**107,187**	**107,187**	**--**
Total	**$ 2,388**	**$ 1,524**	**$ 3,912**	**$ 1,094,667**	**$ 1,098,579**	**$ 459**

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 mortgage	$ 156	$ 25	$ 181	$ 330,544	$ 330,725	$ 25
Production and intermediate term	815	476	1,291	452,869	454,160	9
Agribusiness	--	--	--	143,236	143,236	--
Other	--	--	--	99,739	99,739	--
Total	$ 971	$ 501	$ 1,472	$ 1,026,388	$ 1,027,860	$ 34

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:	**June 30 2016**	December 31 2015
Volume with specific reserves	**$ 713**	$ 236
Volume without specific reserves	**1,972**	2,281
Total risk loans	**$ 2,685**	$ 2,517
Total specific reserves	**$ 586**	$ 201
For the six months ended June 30	**2016**	2015
Income on accrual risk loans	**$ 13**	$ 7
Income on nonaccrual loans	**82**	63
Total income on risk loans	**$ 95**	$ 70
Average risk loans	**$ 2,861**	$ 2,293

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 June 30, 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.

There were no TDRs that occurred during the six months ended June 30, 2016. We completed TDRs of certain production and intermediate term loans during the six months ended June 30, 2015. Our recorded investment in these loans just prior to and immediately following the restructuring was $19 thousand. 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.

The primary type of modification for the June 30, 2015 loans was extension of maturity.

We had TDRs in the production and intermediate term loan category of $8 thousand and $3 thousand that defaulted during the six months ended June 30, 2016 and 2015, respectively in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:		June 30 2016		December 31 2015
Accrual status:				
Production and intermediate term	$	--	$	2
Total TDRs in accrual status	$	--	$	2
Nonaccrual status:				
Real estate mortgage	$	39	$	56
Production and intermediate term		38		70
Other		--		877
Total TDRs in nonaccrual status	$	77	$	1,003
Total TDRs status:				
Real estate mortgage	$	39	$	56
Production and intermediate term		38		72
Other		--		877
Total TDRs	$	77	$	1,005

The decrease in other loans resulted from two communication loans to one borrower being refinanced during the second quarter of 2016, and subsequently, are no longer classified as TDRs.

There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2016.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) Six months ended June 30		2016		2015
Balance at beginning of period	$	2,057	$	1,954
Provision for loan losses		836		1
Loan recoveries		34		24
Loan charge-offs		(91)		(115)
Balance at end of period	$	2,836	$	1,864

The increase to the allowance for loan losses from December 31, 2015 primarily resulted from increases in specific reserves in certain production and intermediate term risk loans along with credit quality changes and loan growth.

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 ratios with common equity tier 1, tier 1 and total capital risk-based capital ratios. 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 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 June 30, 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 June 30, 2016**				**Six months ended June 30, 2016**
	Fair Value Measurement Using			Total Fair	Total (Losses)
	Level 1	Level 2	Level 3	Value	Gains
Impaired loans	**$ --**	**$ --**	**$ 133**	**$ 133**	**$ (476)**
Other property owned	**--**	**--**	**--**	**--**	**3**
	As of December 31, 2015				Six months ended June 30, 2015
	Fair Value Measurement Using			Total Fair	Total (Losses)
	Level 1	Level 2	Level 3	Value	Gains
Impaired loans	$ --	$ --	$ 36	$ 36	$ (90)
Other property owned	--	--	--	--	1

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 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 4, 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.