GreenStone 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 GreenStone Farm Credit Services, ACA (the parent) and GreenStone Farm Credit Services, FLCA and GreenStone 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 GreenStone 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:

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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

The U.S. Department of Commerce reported a 1.4% increase to Gross Domestic Product (GDP) during the fourth quarter of 2015 compared to an increase of 2.0% during the third quarter of 2015. The deceleration in real GDP in the fourth quarter primarily reflected downturns in nonresidential fixed investment and in state and local government spending, a deceleration in personal consumption expenditures, and a downturn in exports that were partly offset by a smaller decrease in private inventory investment, a downturn in imports, and an acceleration in federal government spending. The U.S. economy faces several headwinds for 2016. The largest single component of GDP is consumer spending, which was disappointing at the onset of 2016 and could create downward pressure for the first quarter of 2016. On a positive note, the Institute for Supply Management manufacturing survey reported economic expansion in March for the first time in the last six months. This positive data for the manufacturing index should calm some fears that the factory sector will create downward pressure on the economy, although the sector still faces substantial headwinds including low commodity prices, slow global growth, and a strong U.S. Dollar.

The pace of job creation slowed in January, which raised uncertainty about employment conditions. Concerns eased in February with a 242,000 increase in total nonfarm payroll employment. Job growth was broad-based across a number of industry sectors – health care, private education services, retail trade, and food services seeing the strongest job gains – while job losses continued in mining. The U.S. unemployment rate fell to 4.9% in January and held steady in February despite an increase in the participation rate. Michigan and Wisconsin continue to show growth in nonfarm payrolls reporting respective jobs added of 88,700 and 39,600 over the prior year. Michigan and Wisconsin's unemployment rates were slightly lower than the national level in February at 4.8% and 4.6%, respectively.

A 5.2% rise in privately owned housing starts was reported in February to a national seasonally-adjusted annual rate of 1.2 million units, compared to 1.1 million units in January. Most notable, single-family production increased 7.2% to 822,000 units – its highest level since November 2007. The increase in combined single family and multifamily housing starts was predominately led by the West and Midwest regions, posting respective gains of 26.1% and 19.9%, while the South still posted gains of 7.1% and the Northeast registered a 51.3% decline.

The Federal Open Market Committee (FOMC) met in March and decided to maintain the target range for the federal funds rate at 0.25% to 0.50%. In determining the timing and size of future adjustments to the target range for the federal funds rate, the FOMC will continue to focus on maximizing employment and targeting inflation of 2.0%. The policy statement and conference call that followed the March FOMC meeting revealed that the committee has scaled back their expectations for future rate increases in 2016. The committee's median projection for the federal funds rate rises gradually to 0.9% in 2016 and 1.9% in 2017. As factors restraining economic growth are projected to fade further over time, the committee's median rate rises to 3.0% by the end of 2018.

The outlook for agriculture in 2016 is bearish. The United States Department of Agriculture (USDA) is forecasting net cash farm income and net farm income to both decline for the third consecutive year after reaching recent highs in 2013 for net farm income and 2012 for net cash farm income. Net cash farm income is expected to fall by 2.5% in 2016 and net farm income is forecast to decline by 3.0%. These forecasted declines are relatively moderate compared to the 27.0% and 28.0% reduction in net cash farm income and net farm income, respectively, that occurred in 2015. Cash receipts are expected to decline in nearly all major animal and product categories, including dairy, meat animal, poultry and eggs, as well as vegetables, melons, and feed crop. Farm production expenses are forecasted to decline $3.8 billion in 2016, following an estimated $10.1 billion decline in 2015. In 2016, the drop in expenses is expected to alleviate, but not completely offset, the drop in cash receipts.

Agricultural exports will be subject to lower prices, strong competition, and reduced demand in 2016 due to a strong dollar and weakened demand for all commodities. The USDA's 2016 forecast of agricultural exports has been lowered to $125.0 billion, $6.5 billion below the November projection and down $14.7 billion from 2015 exports. Grain and feed exports are forecast at $27.2 billion, down $1.4 billion from the November forecast as strong competition reduces volumes and ample global supplies reduce unit values of corn and wheat. The forecast for livestock, poultry, and dairy is lowered $2.5 billion from the previous forecast to $25.7 billion as lower prices drive declines from virtually all products.

The USDA's National Agricultural Statistics Service Prospective Plantings report indicates 2016 corn planting intentions at 93.6 million acres of corn, up 6.0% from 2015. If the plantings are realized, this will be the highest planting in the U.S. since 2013 and the third largest since 1944. In contrast, U.S. soybean growers expect to reverse the recent trends, which saw several record-high years. In 2016, growers expect to plant 82.2 million acres of soybeans, a less than 1.0% decrease from 2015. Michigan corn area plantings are estimated to rise 4.0% from 2015 for a total of 2.5 million acres, while Wisconsin corn area plantings are projected to remain flat at 4.0 million acres. Michigan and Wisconsin soybean planting acreage is expected to increase by 3.0% and 4.0%, respectively, over 2015 plantings.

The USDA's milk production forecast for 2016 is 211.6 billion pounds, 1.4% higher than 2015 production. Milk cows are forecast at 9.3 million head, and milk per cow at 22,745 pounds. The USDA has raised 2016 import forecasts and lowered export forecasts due to recently reported January trade data, price differentials between the U.S. and its competitors, strong value of the U.S. Dollar, higher expected domestic demand, large global supplies (particularly from the European Union), and expectations of relatively weak global demand for dairy products. Based on the forecasted milk production and trade data, the USDA has lowered the Class III milk price forecast for 2016 to $13.60-$14.20 per hundredweight (cwt) compared to $15.80 in 2015. USDA's Class IV milk price forecast is $13.05-$13.75 per cwt compared to $14.35 per cwt in 2015.

Oil prices fell dramatically in 2015 and continued to fall in early 2016, surpassing lows observed during the financial crisis. In addition to growing supply, the International Energy Agency predicts further weakening of global oil demand in 2016 due to slower economic growth. Continued low prices are thus expected to provide farmers, manufacturers, fertilizer producers, and farm-product exporters a low-cost environment in 2016.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $7.3 billion at March 31, 2016, a $14.2 million decrease from December 31, 2015.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank, was $7.5 billion at March 31, 2016, a $27.4 million decrease from December 31, 2015. Our combined mortgage portfolio increased $43.9 million, or 0.8% from December 31, 2015. Our short-term commercial loan portfolio decreased $71.3 million, or 3.5% from December 31, 2015. This expected reduction is primarily attributed to the seasonal repayment of tax planning disbursements from November and December 2015, as well as the significant number of annual payments being due in the first quarter. When compared to March 2015, owned and managed mortgage volume is up 9.2% and commercial loan volume is up 9.3%. Both of these reflect an asset growth rate year over year that supports our 2016 Business Plan.

Portfolio Credit Quality

The credit quality of our loan portfolio remained strong during the first quarter of 2016. Acceptable loan credit quality, as measured under the Uniform Classification System, decreased slightly to 96.2% after beginning the year at 97.6%. Year over year, acceptable credit quality decreased 1.2 percentage points from 97.4% at March 31, 2015. Portfolio assets criticized as being less than acceptable are comprised of 2.3% other assets especially mentioned (OAEM) and 1.5% adversely classified. OAEM loan credit quality increased slightly from December 31, 2015.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. The credit quality of our core market of traditional production farm loans remains sound. Weaker borrowers in our greenhouse/nursery, part-time farmer, and general crop and livestock farm portfolios continued to be challenged financially during the first quarter of 2016.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse asset to risk funds ratio of 8.3%. This ratio has remained unchanged since December 31, 2015. This ratio is a good measure of our risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At March 31, 2016, $253.4 million of our loans were, to some level, guaranteed under these programs.

Risk Assets

The following table summarizes risk assets (accruing loans includes accrued interest receivable) and delinquency information (dollars in thousands):

As of:	**March 31 2016**	December 31 2015
Loans:		
Nonaccrual	**$47,295**	$41,954
Accruing restructured	**3,239**	3,459
Accruing loans 90 days or more past due	**124**	34
Total risk loans	**50,658**	45,447
Acquired property	**2,261**	2,440
Total risk assets	**$52,919**	$47,887
Total risk loans as a percentage of total loans	**0.7%**	0.6%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**71.7%**	78.6%
Total delinquencies as a percentage of total loans	**0.7%**	0.3%

Our risk assets have increased slightly from December 31, 2015 but remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loans increased from $42.0 million at December 31, 2015 to $47.3 million at March 31, 2016. This $5.3 million increase in nonaccrual volume was partially attributable to a dairy operation totaling $1.4 million that was downgraded to nonaccrual status during the first quarter, in addition to an increase of $1.2 million in a greenhouse/nursery nonaccrual relationship. As of March 31, 2016, approximately 41% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 17% part-time farmers, and 16% general crop and livestock farms. Nonaccrual loans remained at an acceptable level at March 31, 2016, and 71.7% of our nonaccrual loans were current in their payment status.

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

Acquired property inventory decreased slightly from $2.4 million as of December 31, 2015 to $2.3 million as of March 31, 2016. The decrease was primarily due to the sale of six properties during the first quarter.

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	**0.5%**	0.5%
Nonaccrual loans	**79.5%**	81.7%
Total risk loans	**74.2%**	75.5%

The allowance for loan losses increased $3.3 million from December 31, 2015 to March 31, 2016. During the first quarter of 2016, a provision for loan loss of $3.4 million was recorded, which was slightly offset by $110 thousand of net charge-offs. The increase in the allowance for loan losses is primarily due to a large capital markets relationship that was downgraded during the first quarter.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The "Provision for (reversal of) credit losses" in the Consolidated Statements of Income for the quarter ended March 31, 2016 included a provision for loan losses of $3.4 million as well as a reversal of provision for credit losses on unfunded loan commitments of $1.5 million. The accrued credit losses are recorded in "Other liabilities" in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $1.3 million and $2.7 million as of March 31, 2016 and December 31, 2015, respectively.

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	**$34,042**	$36,750
Return on average assets	**1.8%**	2.2%
Return on average members' equity	**9.8%**	11.5%

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	**$47,474**	$44,658	**$2,816**
(Provision for) reversal of credit losses	**(1,936)**	3,387	**(5,323)**
Patronage income	**4,946**	5,715	**(769)**
Financially related services income	**2,497**	2,689	**(192)**
Fee income	**2,970**	2,952	**18**
Acquired property (loss) income, net	**(42)**	84	**(126)**
Miscellaneous income, net	**897**	359	**538**
Operating expenses	**(22,068)**	(21,156)	**(912)**
Provision for income taxes	**(696)**	(1,938)	**1,242**
Net income	**$34,042**	$36,750	**($2,708)**

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	**$4,223**
Changes in interest rates	**(1,010)**
Changes in nonaccrual income and other	**(397)**
Net change	**$2,816**

The provision for credit losses of $1.9 million in the first quarter of 2016 is primarily due to the downgrade of a large capital markets relationship. The reversal of credit losses in the first quarter of 2015 was primarily due to the payoff of a large substandard commercial relationship.

The change in patronage income was primarily related to a decreased patronage rate applied to loans in the AgriBank Asset Pool Program and to the average balance on our note payable compared to the prior year.

The change in operating expenses was primarily related to Farm Credit System Insurance Corporation (FCSIC) expense. FCSIC expense increased $568 thousand or 30% during the first quarter of 2016 compared to 2015, primarily due to an increase in the premium rate charged on accrual loans by FCSIC from 13 basis points in 2015 to 17 basis points in 2016.

The decrease in provision for income taxes was primarily related to lower taxable income on the taxable ACA entity.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matured on January 31, 2016 and was renewed for $7.0 billion with a maturity date of January 31, 2017. The note payable will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

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

Total members' equity increased $26.4 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 8 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%	**16.0%**	16.0%
Total surplus ratio	7.0%	**15.7%**	15.8%
Core surplus ratio	3.5%	**15.7%**	15.8%

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

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.

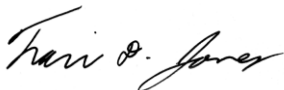
The effective date of the new capital requirements is January 1, 2017. We are currently evaluating the impact of the recently announced changes.

CERTIFICATION

The undersigned have reviewed the March 31, 2016 Quarterly Report of GreenStone 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.

Scott A. Roggenbuck
Chair of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA



Travis D. Jones
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

May 5, 2016

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**March 31 2016**	December 31 2015
ASSETS		
Loans	**$7,278,480**	$7,292,647
Allowance for loan losses	**37,586**	34,290
Net loans	**7,240,894**	7,258,357
Investment in AgriBank, FCB	**114,208**	111,217
Investment securities	**19,491**	20,587
Accrued interest receivable	**46,533**	50,409
Premises and equipment, net	**41,286**	39,753
Acquired property	**2,261**	2,440
Deferred tax assets, net	**5,086**	4,917
Other assets	**34,897**	38,960
Total assets	**$7,504,656**	$7,526,640
LIABILITIES		
Note payable to AgriBank, FCB	**$6,040,478**	$6,060,273
Accrued interest payable	**25,347**	23,976
Patronage distribution payable	**7,625**	35,272
Other liabilities	**35,659**	37,996
Total liabilities	**6,109,109**	6,157,517
Contingencies and commitments (Note 5)		
MEMBERS' EQUITY		
Protected members' equity	**2**	2
Capital stock and participation certificates	**21,430**	21,436
Unallocated surplus	**1,374,115**	1,347,685
Total members' equity	**1,395,547**	1,369,123
Total liabilities and members' equity	**$7,504,656**	$7,526,640

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

CONSOLIDATED STATEMENTS OF INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31	**2016**	2015
Interest income	**$73,559**	$67,098
Interest expense	**26,085**	22,440
Net interest income	**47,474**	44,658
Provision for (reversal of) credit losses	**1,936**	(3,387)
Net interest income after provision for (reversal of) credit losses	**45,538**	48,045
Non-interest income		
Patronage income	**4,946**	5,715
Financially related services income	**2,497**	2,689
Fee income	**2,970**	2,952
Acquired property (loss) income, net	**(42)**	84
Miscellaneous income, net	**897**	359
Total non-interest income	**11,268**	11,799
Operating expenses		
Salaries and employee benefits	**13,931**	14,011
Other operating expenses	**8,137**	7,145
Total operating expenses	**22,068**	21,156
Income before income taxes	**34,738**	38,688
Provision for income taxes	**696**	1,938
Net income	**$34,042**	$36,750

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone 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	$2	$21,105	$1,241,867	$1,262,974
Net income	--	--	36,750	36,750
Unallocated surplus designated for patronage distributions	--	--	(7,525)	(7,525)
Capital stock and participation certificates issued	--	421	--	421
Capital stock and participation certificates retired	--	(378)	--	(378)
Balance at March 31, 2015	$2	$21,148	$1,271,092	$1,292,242
Balance at December 31, 2015	$2	$21,436	$1,347,685	$1,369,123
Net income	**--**	**--**	**34,042**	**34,042**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(7,612)**	**(7,612)**
Capital stock and participation certificates issued	**--**	**370**	**--**	**370**
Capital stock and participation certificates retired	**--**	**(376)**	**--**	**(376)**
Balance at March 31, 2016	**$2**	**$21,430**	**$1,374,115**	**$1,395,547**

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 GreenStone Farm Credit Services, ACA (the parent) and GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncement

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type
(dollars in thousands)

As of:	**March 31, 2016**		December 31, 2015	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$4,303,076**	**59.1%**	$4,345,125	59.6%
Production and intermediate term	**1,978,186**	**27.2**	2,177,244	29.9
Agribusiness	**674,924**	**9.3**	445,927	6.1
Other	**322,294**	**4.4**	324,351	4.4
Total	**$7,278,480**	**100.0%**	$7,292,647	100.0%

The other category is primarily comprised of rural residential real estate, communication, and international loans, as well as loans 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 mortgage	**$13,199**	**$3,784**	**$16,983**	**$4,313,127**	**$4,330,110**	**$ --**
Production and intermediate term	**18,162**	**2,742**	**20,904**	**1,974,598**	**1,995,502**	**124**
Agribusiness	**6,933**	**--**	**6,933**	**669,151**	**676,084**	**--**
Other	**2,011**	**1,194**	**3,205**	**319,759**	**322,964**	**--**
Total	**$40,305**	**$7,720**	**$48,025**	**$7,276,635**	**$7,324,660**	**$124**

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	$9,265	$2,920	$12,185	$4,361,252	$4,373,437	$ --
Production and intermediate term	2,711	2,537	5,248	2,192,064	2,197,312	34
Agribusiness	--	--	--	446,897	446,897	--
Other	2,049	1,076	3,125	321,932	325,057	--
Total	$14,025	$6,533	$20,558	$7,322,145	$7,342,703	$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:	**March 31 2016**	December 31 2015
Volume with specific reserves	**$27,584**	$27,935
Volume without specific reserves	**23,074**	17,512
Total risk loans	**$50,658**	$45,447
Total specific reserves	**$13,523**	$11,904
For the three months ended March 31	**2016**	2015
Income on accrual risk loans	**$44**	$47
Income on nonaccrual loans	**291**	327
Total income on risk loans	**$335**	$374
Average risk loans	**$46,611**	$52,631

Note: Accruing loans include accrued interest receivable.

We had relationships with two at risk borrowers in which we had commitments to lend additional funds at March 31, 2016. The balance of the unfunded loan commitments were $1.3 million and $2.7 million as of March 31, 2016 and December 31, 2015, respectively.

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.

TDR Activity

(in thousands) Three months ended March 31	**2016**		2015	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$207**	**$209**	$ --	$ --
Production and intermediate term	**--**	**--**	15	15
Other	**28**	**20**	--	--
Total	**$235**	**$229**	$15	$15

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring, and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. 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 was extension of maturity.

TDRs that Subsequently Defaulted within the Previous 12 Months

(in thousands)	**2016**	2015
Production and intermediate term	**$49**	$22
Other	**--**	99
Total	**$49**	$121

TDRs Outstanding		
(in thousands)	**March 31**	December 31
As of:	**2016**	2015
Accrual status:		
Real estate mortgage	**$2,521**	$2,732
Production and intermediate term	**555**	563
Other	**163**	164
Total TDRs in accrual status	**$3,239**	$3,459
Nonaccrual status:		
Real estate mortgage	**$1,226**	$841
Production and intermediate term	**383**	425
Other	**393**	382
Total TDRs in nonaccrual status	**$2,002**	$1,648
Total TDRs status:		
Real estate mortgage	**$3,747**	$3,573
Production and intermediate term	**938**	988
Other	**556**	546
Total TDRs	**$5,241**	$5,107

There were no additional material 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	**$34,290**	$34,106
Provision for (reversal of) loan losses	**3,406**	(3,028)
Loan recoveries	**137**	177
Loan charge-offs	**(247)**	(326)
Balance at end of period	**$37,586**	$30,929

The allowance for loan losses increased $3.3 million from December 31, 2015 to March 31, 2016. During the first quarter of 2016, a provision for loan loss of $3.4 million was recorded, which was slightly offset by $110 thousand of net charge-offs. The increase in the allowance for loan losses is primarily due to a large capital markets relationship that was downgraded during the first quarter.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income for the quarter ended March 31, 2016 included a provision for loan losses of $3.4 million as well as a reversal of provision for credit losses on unfunded loan commitments of $1.5 million. The accrued credit losses are recorded in “Other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $1.3 million and $2.7 million as of March 31, 2016 and December 31, 2015, respectively.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $19.5 million at March 31, 2016 and $20.6 million at December 31, 2015. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration. 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.

Additional Investment Securities Information		
(dollars in thousands)	**March 31**	December 31
As of:	**2016**	2015
Amortized cost	**$19,491**	$20,587
Unrealized gains	**828**	831
Fair value	**$20,319**	$21,418
Weighted average yield	**1.6%**	1.5%

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $82 thousand and $41 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 Losses
Impaired loans	**$ --**	**$8,352**	**$7,174**	**$15,526**	**($1,866)**
Acquired property	**--**	**5,190**	**--**	**5,190**	**(99)**
	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	$ --	$9,168	$7,665	$16,833	($100)
Acquired property	--	5,377	--	5,377	45

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.

Acquired Property: 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.