

**CoBank Quarterly District
Financial Information
March 31, 2016**

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Introduction and District Overview

CoBank, ACB (CoBank, the Bank, we, our, or us) is one of the four banks of the Farm Credit System (System) and provides loans, leases and other financial services to support agriculture, rural infrastructure and rural communities across the United States. The System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. The System was established in 1916 by the U.S. Congress, and is a Government Sponsored Enterprise. CoBank is federally chartered under the Farm Credit Act of 1971, as amended (the Farm Credit Act), and is subject to supervision, examination, and safety and soundness regulation by an independent federal agency, the Farm Credit Administration (FCA).

We are cooperatively owned by our U.S. customers. Our customers consist of agricultural cooperatives; other food and agribusiness companies; rural energy, communications and water cooperatives and companies; rural community facilities; farmer-owned financial institutions including Agricultural Credit Associations and Federal Land Credit Associations (Associations); and other businesses that serve agriculture and rural communities. The Associations originate and service long-term real estate mortgage loans as well as short- and intermediate-term loans for agricultural purposes. The Bank and Associations may also purchase eligible loan participations from System entities and other lending institutions. Additionally, the Associations serve as an intermediary in offering multi-peril crop insurance and credit life insurance, and providing additional financial services to borrowers.

We are chartered by the FCA to serve the Associations that provide credit and related financial services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. We collectively refer to these entities as our affiliated Associations. Associations are not authorized by the Farm Credit Act to participate in the issuance of Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities). Therefore, we are the primary funding source for our affiliated Associations. As of March 31, 2016, we have 24 affiliated Associations serving customers in 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

Our affiliated Associations are considered customers and thus operate independently and maintain an arms-length relationship with us, except to the extent that the Farm Credit Act requires us, as the funding bank, to monitor and approve certain activities of these Associations. Accordingly, the financial information of affiliated Associations is not included in the condensed consolidated quarterly financial statements presented in CoBank's March 31, 2016 Quarterly Report to Shareholders. However, because of the interdependent manner in which CoBank and our affiliated Associations operate, we believe that presenting combined Bank and Association quarterly financial information could be meaningful for purposes of additional analysis.

The Financial Highlights, Discussion and Analysis and the Condensed Combined Statements of Income and Balance Sheets included on the following pages present unaudited combined financial information and related analysis of CoBank and its affiliated Associations, which are collectively referred to as the "District." As part of the combining process, all significant transactions between CoBank and the Associations, including loans made by the Bank to the affiliated Associations and the interest income/interest expense related thereto, and investments of the affiliated Associations in the Bank and the earnings related thereto, have been eliminated.

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Financial Highlights

(\$ in Thousands)

	March 31, 2016	December 31, 2015
Total Loans	\$ 100,311,542	\$ 98,382,641
Less: Allowance for Loan Losses	773,539	745,522
Net Loans	99,538,003	97,637,119
Total Assets	128,366,488	127,644,371
Total Shareholders' Equity	16,653,631	16,127,219

For the Three Months Ended March 31,	2016	2015
Net Interest Income	\$ 680,368	\$ 630,873
Provision for Loan Losses	21,776	12,043
Net Fee Income	31,786	32,099
Net Income	439,588	414,739
Net Interest Margin	2.18 %	2.23 %
Return on Average Assets	1.38	1.42
Return on Average Total Shareholders' Equity	10.64	10.73
Average Loans	\$ 99,381,976	\$ 89,698,829
Average Earning Assets	125,015,303	112,977,771
Average Assets	127,412,126	116,635,779

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Discussion and Analysis of District Results of Operations and Financial Condition

District average loan volume increased 11 percent to \$99.4 billion in the first three months of 2016, compared to \$89.7 billion for the same period of 2015. The increase in average loan volume primarily reflected growth in real estate mortgage, energy and agribusiness loans.

District net income increased \$24.8 million for three-month period ended March 31, 2016, compared to the same period of 2015. The increase in earnings primarily resulted from higher levels of net interest income, partially offset by increases in operating expenses and the provision for loan losses.

Net interest income increased to \$680.4 million for the first quarter of 2016 from \$630.9 million for the same period in 2015. The increase in net interest income was driven by growth in average loan volume and increased earnings on balance sheet positioning at CoBank, somewhat offset by lower overall spreads in lending portfolios. Lower spreads led to a decrease in the District's overall net interest margin to 2.18 percent for the three months ended March 31, 2016 as compared to 2.23 percent for the same period in 2015.

The District recorded a provision for loan losses of \$21.8 million in the three-month period ended March 31, 2016, compared to \$12.0 million for the same period of 2015. CoBank recorded a provision for loan losses of \$8.0 million in the first quarter of 2016 compared to \$10.0 million during the 2015 period. The 2016 provision at CoBank reflects a higher level of lending activity and a slight deterioration in credit quality in the agribusiness portfolio. The Associations recorded a net combined provision for loan losses of \$13.8 million for the first three months of 2016, compared to a net combined provision of \$2.0 million in the same period of 2015. The net combined 2016 provision for loan losses at the Associations was due to provisions recorded across five Associations resulting from higher loan volume as well as drought, commodity price volatility and other concerns impacting specific industries.

Noninterest income increased \$0.7 million to \$76.5 million for the first three months 2016 from \$75.8 million for the same period in 2015. Noninterest income is primarily composed of fee income, loan prepayment income, patronage income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. The increase in noninterest income was driven by a \$7.6 million increase in other noninterest income primarily resulting from gains related to derivatives as well as an increase in patronage income received from other System institutions on loan participations sold by CoBank. This increase was largely offset by a \$6.6 million decline in prepayment income, net of losses on early extinguishments of debt, resulting from a lower level of customer refinancing activity in the 2016 period at CoBank.

District operating expenses increased \$19.5 million to \$251.6 million in the first quarter of 2016 from \$232.1 million for the same period of 2015. Higher operating expenses included an increase in Farm Credit Insurance Fund (Insurance Fund) premium expense of \$11.2 million, due to an increase in premium rates as well as growth in average loan volume. Insurance Fund premium rates are set by the Farm Credit System Insurance Corporation (Insurance Corporation) and were 16 basis points of adjusted insured debt obligations during the first three months of 2016 compared to 13 basis points throughout 2015. The premium rate will increase to 18 basis points of adjusted insured debt obligations for the second half of 2016. Occupancy and equipment expenses increased \$4.0 million primarily due to increased expenditures at CoBank associated with a new corporate headquarters in Greenwood Village, Colorado. Employee compensation expense increased \$3.0 million to \$134.3 million for the three months ended March 31, 2016 from \$131.3 million for the same period of 2015. The increase in employee compensation resulted from higher expenses at Associations primarily due to annual salary adjustments, increased incentive compensation accruals and a higher overall number of employees in the first quarter of 2016 compared to the same period in 2015. Other operating expenses increased by \$2.6 million and general and administrative expenses decreased by \$3.4 million primarily due to a change in expense classification at one Association.

Income tax expense decreased \$3.9 million for the three-month period ended March 31, 2016 compared to the same period of 2015 primarily due to an increase in earnings attributed to non-taxable business activities. The income tax expense at the District predominantly relates to CoBank, as a substantial majority of the business activities at Associations are exempt from federal income tax.

Loan Portfolio

The following table presents the District's outstanding loans classified in accordance with the FCA's loan types.

(\$ in Thousands)

District Loans by Loan Type	March 31, 2016	December 31, 2015
Real Estate Mortgage	\$ 28,990,844	\$ 28,720,815
Non-affiliated Associations	4,511,936	4,291,104
Production and Intermediate-term	12,726,909	13,866,604
Agribusiness:		
Loans to Cooperatives	13,578,980	11,790,613
Processing and Marketing Operations	8,703,718	8,225,584
Farm Related Businesses	1,734,923	1,701,660
Communications	4,061,605	4,042,813
Energy	15,363,287	15,207,910
Water/Waste Water	1,464,838	1,447,650
Agricultural Export Finance	4,735,054	4,642,753
Rural Residential Real Estate	888,721	899,763
Lease Receivables	3,381,003	3,375,203
Other	169,724	170,169
Total	\$ 100,311,542	\$ 98,382,641

District loan volume at March 31, 2016 was \$100.3 billion compared to \$98.4 billion at December 31, 2015. The increase was primarily due to growth in CoBank's agribusiness portfolio driven by higher levels of seasonal financing at grain cooperatives and lending to food and agribusiness companies resulting from new customer growth, as well as increased lending to producers and processors. Higher loan volume also included an increase in processing and marketing operations loans primarily resulting from advances on existing Association loans with customers in various agricultural sectors. These factors were partially offset by a decrease in production and intermediate-term loan volume primarily due to typical seasonal repayment activity attributed to crop sales during the first quarter of the year and tax mitigation planning.

Loan Quality

The following table presents loans and related accrued interest receivable, classified by management at the various District entities pursuant to the FCA's Uniform Loan Classification System, as a percent of total loans and related accrued interest.

District Loan Quality		
	March 31, 2016	December 31, 2015
Acceptable	95.86 %	96.39 %
Special Mention	2.42	2.00
Substandard	1.71	1.60
Doubtful	0.01	0.01
Loss	-	-
Total	100.00 %	100.00 %

Loan quality within the District remains favorable, with approximately 96 percent of all loans and related accrued interest in the highest category of credit quality. The increase in Special Mention and Substandard loans during the first quarter of 2016 is primarily due to slight deterioration in credit quality in agricultural lending at various Associations and in the agribusiness loan portfolio at CoBank. Credit risk in the District's loan portfolio is spread broadly among customers, industries and geographic territory. The District serves a diversified spectrum of borrowers up and down the agricultural value chain. Association retail loans in the District loan portfolio are concentrated in the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States. CoBank's commercial loan portfolio extends across the United States, with moderate levels of concentration in the Midwest region of the country and in the farm supply, grain marketing, electric distribution, and generation and transmission sectors.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) totaled \$618.7 million as of March 31, 2016, compared to \$520.6 million at December 31, 2015. Nonaccrual loans increased by a net \$57.6 million during the first three months of 2016 which was driven by a \$56.0 million net increase at CoBank due to the credit quality deterioration impacting a small number of food, agribusiness and leasing customers. Accruing restructured loans decreased by \$6.1 million to \$50.1 million in the three-month period ended March 31, 2016 due to a small number of loans in the cattle, dairy and wine industries returning to accruing status as well as the payoff of a dairy loan. Total accruing loans 90 days or more past due increased by \$48.3 million during the first quarter of 2016 primarily due to increases at three Associations across various commodities including fruits, nuts and vegetables, grains and forest products. Nonperforming assets represented 0.62 percent of total District loan volume and other property owned at March 31, 2016, compared to 0.53 percent at December 31, 2015. Nonaccrual loan volume, the largest component of nonperforming assets, represented 0.50 percent of total loans at March 31, 2016 compared to 0.45 percent of total loans at December 31, 2015.

The following table displays the District's nonperforming assets for the periods presented.

(\$ in Thousands)

Nonperforming Assets	March 31, 2016	December 31, 2015
Nonaccrual Loans:		
Real Estate Mortgage	\$ 190,604	\$ 196,925
Production and Intermediate-term	91,296	81,534
Agribusiness	115,379	70,985
Communications	71,717	71,983
Rural Residential Real Estate	4,542	4,903
Lease Receivables	27,784	17,433
Total Nonaccrual Loans	501,322	443,763
Accruing Restructured Loans:		
Real Estate Mortgage	30,092	34,403
Production and Intermediate-term	17,625	19,415
Rural Residential Real Estate	2,413	2,425
Total Accruing Restructured Loans	50,130	56,243
Accruing Loans 90 Days or More Past Due:		
Real Estate Mortgage	30,899	2,333
Production and Intermediate-term	19,394	1,979
Agribusiness	591	-
Rural Residential Real Estate	342	197
Lease Receivables	2,086	547
Total Accruing Loans 90 Days or More Past Due	53,312	5,056
Total Nonperforming Loans	604,764	505,062
Other Property Owned	13,900	15,579
Total Nonperforming Assets	\$ 618,664	\$ 520,641
Nonaccrual Loans as a Percentage of Total Loans	0.50 %	0.45 %
Nonperforming Assets as a Percentage of Total Loans and Other Property Owned	0.62	0.53
Nonperforming Assets as a Percentage of Capital	3.71	3.23

The following tables present an aging of past due loans and related accrued interest in the District for the periods presented.

(\$ in Thousands)

Aging of Past Due Loans						
March 31, 2016						
	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	\$ 71,948	\$ 99,787	\$ 171,735	\$ 29,080,260	\$ 29,251,995	\$ 30,899
Production and						
Intermediate-term	102,279	53,764	156,043	12,663,728	12,819,771	19,394
Agribusiness	22,534	13,966	36,500	24,051,685	24,088,185	591
Communications	-	26,046	26,046	4,046,044	4,072,090	-
Energy	1,750	-	1,750	15,421,053	15,422,803	-
Water/Waste Water	-	-	-	1,472,726	1,472,726	-
Agricultural Export						
Finance	-	-	-	4,747,337	4,747,337	-
Rural Residential Real						
Estate	5,297	2,659	7,956	883,892	891,848	342
Lease Receivables	19,590	6,392	25,982	3,355,632	3,381,614	2,086
Non-affiliated Associations	-	-	-	4,515,802	4,515,802	-
Other	-	-	-	170,231	170,231	-
Total	\$ 223,398	\$ 202,614	\$ 426,012	\$ 100,408,390	\$ 100,834,402	\$ 53,312

(\$ in Thousands)

Aging of Past Due Loans						
December 31, 2015						
	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	\$ 54,185	\$ 61,321	\$ 115,506	\$ 28,871,190	\$ 28,986,696	\$ 2,333
Production and						
Intermediate-term	31,072	24,444	55,516	13,896,350	13,951,866	1,979
Agribusiness	10,880	8,196	19,076	21,769,468	21,788,544	-
Communications	-	24,913	24,913	4,026,744	4,051,657	-
Energy	-	-	-	15,264,122	15,264,122	-
Water/Waste Water	-	-	-	1,455,953	1,455,953	-
Agricultural Export						
Finance	-	-	-	4,655,393	4,655,393	-
Rural Residential Real						
Estate	6,845	2,020	8,865	894,015	902,880	197
Lease Receivables	13,209	2,418	15,627	3,360,021	3,375,648	547
Non-affiliated Associations	-	-	-	4,294,025	4,294,025	-
Other	-	-	-	170,512	170,512	-
Total	\$ 116,191	\$ 123,312	\$ 239,503	\$ 98,657,793	\$ 98,897,296	\$ 5,056

District entities maintain an allowance for loan losses at a level consistent with the probable losses identified by management of each institution, considering such factors as current agricultural and economic conditions, loan loss experience, portfolio quality, and loan portfolio composition and concentrations. CoBank and certain Associations also maintain a reserve for unfunded commitments, which totaled \$151.2 million at March 31, 2016.

Although aggregated in the District's condensed combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities. The allowance for loan losses at March 31, 2016 totaled \$773.5 million compared to \$745.5 million at December 31, 2015. Changes in the allowance included an overall net provision for loan losses of \$21.8 million, which is described on page 3, a \$7.0 million net transfer from the reserve for unfunded commitments, recoveries of \$1.4 million and charge-offs of \$1.2 million.

The following presents detailed changes in the allowance for loan losses in the District for the periods presented.

(\$ in Thousands)

Changes in Allowance for Loan Losses

	Balance at December 31, 2015	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversal)	Transfers from (to) Reserve for Unfunded Commitments	Association Merger Impact	Balance at March 31, 2016
Real Estate Mortgage	\$ 105,155	\$ (390)	\$ 286	\$ 2,452	\$ (2,344)	\$ (562)	\$ 104,597
Production and							
Intermediate-term	129,219	(277)	660	4,723	651	(344)	134,632
Agribusiness	271,873	(215)	333	21,897	5,837	(2)	299,723
Communications	53,345	-	-	(4,621)	(47)	-	48,677
Energy	121,405	-	3	(3,607)	2,731	-	120,532
Water/Waste Water	10,646	-	-	(134)	249	-	10,761
Agricultural Export Finance	11,293	-	27	(46)	(87)	-	11,187
Rural Residential Real Estate	5,666	(30)	-	(533)	-	-	5,103
Lease Receivables and Other	36,920	(305)	67	1,645	-	-	38,327
Total	\$ 745,522	\$ (1,217)	\$ 1,376	\$ 21,776	\$ 6,990	\$ (908)	\$ 773,539

(\$ in Thousands)

Changes in Allowance for Loan Losses

	Balance at December 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversal)	Transfers (to) from Reserve for Unfunded Commitments	Balance at March 31, 2015
Real Estate Mortgage	\$ 111,585	\$ (12)	\$ 422	\$ 7,268	\$ (7,193)	\$ 112,070
Production and						
Intermediate-term	142,835	(343)	5,231	(11,556)	78	136,245
Agribusiness	284,727	-	1,440	13,554	372	300,093
Communications	54,432	-	57	1,177	(955)	54,711
Energy	98,149	-	3	1,184	(478)	98,858
Water/Waste Water	9,813	-	-	(258)	(49)	9,506
Agricultural Export Finance	8,924	-	133	(493)	(53)	8,511
Rural Residential Real Estate	6,216	(341)	25	324	-	6,224
Lease Receivables and Other	32,576	(380)	127	843	-	33,166
Total	\$ 749,257	\$ (1,076)	\$ 7,438	\$ 12,043	\$ (8,278)	\$ 759,384

District Capital Resources

Combined District shareholders' equity at March 31, 2016 totaled \$16.7 billion, a net increase of \$526.4 million as compared to December 31, 2015. The increase primarily resulted from District net income of \$439.6 million, a decrease in accumulated other comprehensive loss of \$198.5 million and an increase in Association preferred stock of \$30.1 million, somewhat offset by accrued patronage of \$121.5 million and preferred stock dividends of \$17.1 million. The components of the District's accumulated other comprehensive loss are detailed in the following table.

(\$ in Thousands)

Accumulated Other Comprehensive Loss		
	March 31, 2016	December 31, 2015
Unrealized Gains on Investment Securities	\$ 245,529	\$ 48,754
Net Pension Adjustment	(337,210)	(342,188)
Unrealized Losses on Interest Rate Swaps and Other Financial Instruments	(43,383)	(40,157)
Accumulated Other Comprehensive Loss	\$ (135,064)	\$ (333,591)

The decrease in the District's total accumulated other comprehensive loss during the first quarter of 2016 is primarily due to an increase in unrealized gains on investment securities at CoBank driven by interest rate changes.

The following table presents regulatory capital ratios for CoBank and the range of ratios at the affiliated Associations.

District Capital Ratios						
	March 31, 2016			December 31, 2015		
	Permanent Capital Ratio	Total Surplus Ratio	Core Surplus Ratio	Permanent Capital Ratio	Total Surplus Ratio	Core Surplus Ratio
CoBank	14.79%	13.82%	10.11%	14.95%	14.07%	10.29%
Associations	13.14 - 36.06%	12.56 - 35.60%	12.56 - 30.63%	13.53 - 35.97%	12.99 - 35.51%	12.99 - 30.44%
Regulatory Minimum	7.00%	7.00%	3.50%	7.00%	7.00%	3.50%

As depicted in the table above, at March 31, 2016, CoBank and all affiliated Associations exceeded the FCA's regulatory minimum capital ratios. Although aggregated in the District's condensed financial statements, capital for each District entity is particular to that institution. In addition, the provisions of joint and several liability for Systemwide Debt Securities are applicable only to System banks and do not include Associations. CoBank has no access to Association capital beyond their required investment in the Bank. There are no capital sharing agreements between CoBank and its affiliated Associations.

Association Mergers and Other

Effective January 1, 2016, two of our affiliated Associations, Farm Credit Services of East Central Oklahoma, ACA, and Chisholm Trail Farm Credit, ACA, merged to form Oklahoma AgCredit, ACA.

In February 2016, the boards of directors of two affiliated Associations, Farm Credit of Southwest Kansas, ACA, and American AgCredit, ACA, signed a letter of intent to merge with an anticipated completion date of January 1, 2017. Under the letter of intent, the merged entity will do business as American AgCredit, ACA. In addition, the Associations will operate within a joint management agreement under which the President and Chief Executive Officer (CEO) of American AgCredit, ACA, will serve as the CEO of both Associations effective April 1, 2016. The merger remains subject to shareholder and FCA approval.

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Condensed Combined Statements of Income

(unaudited)

(\$ in Thousands)

	For the Three Months	
	Ended March 31,	
	2016	2015
Interest Income		
Loans	\$ 864,761	\$ 762,782
Investment Securities	107,373	88,553
Total Interest Income	972,134	851,335
Interest Expense	291,766	220,462
Net Interest Income	680,368	630,873
Provision for Loan Losses	21,776	12,043
Net Interest Income After Provision for Loan Losses	658,592	618,830
Noninterest Income/ Expense		
Net Fee Income	31,786	32,099
Prepayment Income	4,045	13,888
Losses on Early Extinguishments of Debt	(3,817)	(7,104)
Other, Net	44,519	36,945
Total Noninterest Income	76,533	75,828
Operating Expenses		
Employee Compensation	134,345	131,345
Insurance Fund Premium	36,598	25,382
Information Services	14,620	13,707
General and Administrative	17,758	21,138
Occupancy and Equipment	15,122	11,135
Farm Credit System Related	7,044	6,893
Purchased Services	11,141	10,176
Other	14,922	12,301
Total Operating Expenses	251,550	232,077
Income Before Income Taxes	483,575	462,581
Provision for Income Taxes	43,987	47,842
Net Income	\$ 439,588	\$ 414,739

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Condensed Combined Balance Sheets

(unaudited)

(\$ in Thousands)

	March 31, 2016	December 31, 2015
Assets		
Total Loans	\$ 100,311,542	\$ 98,382,641
Less: Allowance for Loan Losses	773,539	745,522
Net Loans	99,538,003	97,637,119
Cash and Cash Equivalents	754,339	3,311,777
Federal Funds Sold and Other Highly-Liquid Assets	150,000	-
Investment Securities	25,845,971	24,670,926
Interest Rate Swaps and Other Financial Instruments	429,515	294,856
Accrued Interest Receivable and Other Assets	1,648,660	1,729,693
Total Assets	\$ 128,366,488	\$ 127,644,371
Liabilities		
Bonds and Notes	\$ 108,639,764	\$ 108,052,092
Subordinated Debt	902,804	902,685
Interest Rate Swaps and Other Financial Instruments	215,165	112,509
Reserve for Unfunded Commitments	151,163	158,186
Accrued Interest Payable and Other Liabilities	1,803,961	2,291,680
Total Liabilities	111,712,857	111,517,152
Shareholders' Equity		
Preferred Stock Issued by Bank	1,125,000	1,125,000
Preferred Stock Issued by Associations	582,208	552,145
Common Stock	1,378,581	1,382,758
Paid In Capital	1,083,708	1,028,135
Unallocated Retained Earnings	12,619,198	12,372,772
Accumulated Other Comprehensive Loss	(135,064)	(333,591)
Total Shareholders' Equity	16,653,631	16,127,219
Total Liabilities and Shareholders' Equity	\$ 128,366,488	\$ 127,644,371