Quarterly Report
March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA (the parent) and Farm Credit Mid-America, FLCA and Farm Credit Mid-America, 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 Mid-America, 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

Prices received for corn, soybeans, and wheat remain well below 5-7 year averages and are creating tight and often negative margins for crop producers. Input prices have not declined as quickly as commodity prices creating a challenging environment for the 2016 crop year. The livestock industries in our four states are also experiencing tightening margins, consistent with national trends.

The overall economy has changed little from 2015 year end with modest job and wage growth.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $20.1 billion at March 31, 2016, an increase of $80.2 million from December 31, 2015. The increase was primarily due to continued demand for real estate mortgage loans. The increase was partially offset by repayments on production and intermediate term loans, which show some seasonality, and balances are the lowest during the winter months due to operating repayments following harvest.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2015. Adversely classified loans increased to 2.6% of the portfolio at March 31, 2016, from 2.4% 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.

Risk Assets

Risk assets are comprised of non-accrual loans, accruing restructured loans, accruing loans 90 days or more past due, and other property owned.

Components of Risk Assets

(dollars in thousands) As of:	March 31 2016	December 31 2015
Loans:		
Non-accrual	$ 217,088	$ 198,485
Accruing restructured	15,307	15,319
Accruing loans 90 days or more past due	197	--
Total risk loans	232,592	213,804
Other property owned	6,504	7,367
Total risk assets	$ 239,096	$ 221,171
Total risk loans as a percentage of total loans	1.2%	1.1%
Non-accrual loans as a percentage of total loans	1.1%	1.0%
Current non-accrual loans as a percentage of total non-accrual loans	62.5%	63.2%
Total delinquencies as a percentage of total loans	0.6%	0.5%

Note: Accruing loans include accrued interest receivable.

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

The increase in non-accrual loans correlates with the decline in credit quality and is due to the challenges created by continued low commodity prices. Non-accrual loans remained at an acceptable level at March 31, 2016.

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

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	March 31 2016	December 31 2015
Allowance as a percentage of:		
Loans	0.3%	0.3%
Non-accrual loans	29.3%	31.7%
Total risk loans	27.3%	29.4%

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	$ 80,079	$ 71,768
Return on average assets	1.5%	1.4%
Return on average members' equity	8.1%	7.8%

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	$	**108,337**	$	104,409	$	**3,928**
Provision for credit losses		**1,637**		3,000		**1,363**
Patronage income		**17,696**		13,444		**4,252**
Other income, net		**11,854**		11,632		**222**
Operating expenses		**54,907**		51,007		**(3,900)**
Provision for income taxes		**1,264**		3,710		**2,446**
Net income	$	**80,079**	$	71,768	$	**8,311**

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	$	**8,075**
Changes in interest rates		**(4,972)**
Changes in non-accrual income and other		**825**
Net change	$	**3,928**

The change in interest rates shown in the chart above is related to additional cost of funds beginning in 2016. This additional cost is being offset with additional patronage income.

The change in the provision for credit losses was related to a grain cropland reserve established during the three months ended March 31, 2015, while the provision for credit losses during the three months ended March 31, 2016 is primarily due to increased specific reserves.

The increase in patronage income was primarily due to the additional patronage paid in relation to the increased cost of funds.

The change in operating expenses was primarily due to Farm Credit System Insurance Corporation (FCSIC) expense, which increased in 2016 due to an increase in the premium rate charged on accrual loans by FCSIC from 13 basis points in 2015 to 16 basis points for the first half and 18 basis points for the second half of 2016.The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. Additionally, the increase in operating expenses was related to employee and technology related expenses.

The provision for income taxes decreased due to lower income attributable to our taxable 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 April 30, 2016 and was renewed for $21.0 billion with a maturity date of April 30, 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 $71.7 million from December 31, 2015 primarily due to net income for the period.

Farm Credit Administration (FCA) regulations require us to maintain a certain level for our permanent capital ratio, total surplus ratio, and core surplus ratio. Refer to Note 9 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%	**17.0%**	17.0%
Total surplus ratio	7.0%	**16.6%**	16.6%
Core surplus ratio	3.5%	**16.6%**	16.6%

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

REGULATORY MATTERS

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the rule are to:

- Modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise
- Ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System
- Make System regulatory capital requirements more transparent
- Meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act

The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule.

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

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

- Strengthen the safety and soundness of System Banks and Associations
- Ensure that System Banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption
- Enhance the ability of the System Banks to supply credit to agricultural and aquatic producers
- Comply with the requirements of section 939A of the Dodd-Frank Act
- Modernize the investment eligibility criteria for System Banks
- Revise the investment regulation for System Associations to improve their investment management practices so they are more resilient to risk

The public comment period ended on October 23, 2014.

CERTIFICATION

The undersigned have reviewed the March 31, 2016 Quarterly Report of Farm Credit Mid-America, 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.

D. Kevin Cox

D. Kevin Cox
Chair of the Board
Farm Credit Mid-America, ACA

William L Johnson

William L. Johnson
President and Chief Executive Officer
Farm Credit Mid-America, ACA

Paul Bruce

Paul Bruce
Senior Vice President – Financial Operations and
Chief Financial Officer
Farm Credit Mid-America, ACA

May 9, 2016

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

As of:		March 31 2016		December 31 2015
ASSETS				
Loans	**$**	**20,083,756**	$	20,003,514
Allowance for loan losses		**63,595**		62,881
Net loans		**20,020,161**		19,940,633
Investment in AgriBank, FCB		**436,217**		430,198
Investment securities		**1,108,530**		1,087,001
Accrued interest receivable		**143,691**		155,738
Other property owned		**6,504**		7,367
Assets held for lease, net		**308,165**		322,818
Other assets		**156,746**		161,130
Total assets	**$**	**22,180,014**	$	22,104,885
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**17,956,924**	$	17,939,263
Accrued interest payable		**95,445**		86,296
Deferred tax liabilities, net		**98,907**		103,049
Patronage distribution payable		**8,142**		--
Other liabilities		**44,568**		71,938
Total liabilities		**18,203,986**		18,200,546
Contingencies and commitments (Note 6)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**86,256**		86,504
Unallocated surplus		**3,889,772**		3,817,835
Total members' equity		**3,976,028**		3,904,339
Total liabilities and members' equity	**$**	**22,180,014**	$	22,104,885

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31	**2016**	2015
Interest income	**$ 203,868**	$ 184,575
Interest expense	**95,531**	80,166
Net interest income	**108,337**	104,409
Provision for credit losses	**1,637**	3,000
Net interest income after provision for credit losses	**106,700**	101,409
Other income		
Patronage income	**17,696**	13,444
Financially related services income	**677**	594
Fee income	**8,235**	8,397
Operating lease income	**2,663**	2,365
Other property owned losses, net	**(99)**	(343)
Miscellaneous income, net	**378**	619
Total other income	**29,550**	25,076
Operating expenses		
Salaries and employee benefits	**33,970**	32,518
Other operating expenses	**20,937**	18,489
Total operating expenses	**54,907**	51,007
Income before income taxes	**81,343**	75,478
Provision for income taxes	**1,264**	3,710
Net income	**$ 80,079**	$ 71,768

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2014	$ 85,982	$ 3,538,818	$ 3,624,800
Net income	--	71,768	71,768
Capital stock and participation certificates issued	1,236	--	1,236
Capital stock and participation certificates retired	(1,380)	--	(1,380)
Balance at March 31, 2015	$ 85,838	$ 3,610,586	$ 3,696,424
Balance at December 31, 2015	$ 86,504	$ 3,817,835	$ 3,904,339
Net income	**--**	**80,079**	**80,079**
Unallocated surplus designated for patronage distributions	**--**	**(8,142)**	**(8,142)**
Capital stock and participation certificates issued	**1,213**	**--**	**1,213**
Capital stock and participation certificates retired	**(1,461)**	**--**	**(1,461)**
Balance at March 31, 2016	**$ 86,256**	**$ 3,889,772**	**$ 3,976,028**

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

Recently Issued or Adopted Accounting Pronouncements

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**March 31, 2016**		December 31, 2015	
	Amount	%	Amount	%
Real estate mortgage	**$ 13,681,129**	**68.1%**	$ 13,515,473	67.6%
Production and intermediate term	**3,470,817**	**17.3%**	3,613,415	18.1%
Agribusiness	**1,421,508**	**7.1%**	1,345,455	6.7%
Rural residential real estate	**1,019,609**	**5.1%**	1,026,350	5.1%
Finance leases and other	**490,693**	**2.4%**	502,821	2.5%
Total	**$ 20,083,756**	**100.0%**	$ 20,003,514	100.0%

The finance leases and other category is comprised of finance leases, communication, international, energy, and water and waste disposal related loans as well as certain assets originated under our 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	**$ 49,913**	**$ 27,144**	**$ 77,057**	**$ 13,698,456**	**$ 13,775,513**	**$ 116**
Production and intermediate term	**20,621**	**12,259**	**32,880**	**3,472,368**	**3,505,248**	**81**
Agribusiness	**82**	**127**	**209**	**1,426,575**	**1,426,784**	**--**
Rural residential real estate	**9,945**	**6,095**	**16,040**	**1,006,342**	**1,022,382**	**--**
Finance leases and other	**133**	**500**	**633**	**490,643**	**491,276**	**--**
Total	**$ 80,694**	**$ 46,125**	**$ 126,819**	**$ 20,094,384**	**$ 20,221,203**	**$ 197**

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	$	42,335	$	27,532	$	69,867	$	13,548,127	$	13,617,994	$	--
Production and intermediate term		4,752		9,689		14,441		3,637,208		3,651,649		--
Agribusiness		39		127		166		1,351,135		1,351,301		--
Rural residential real estate		12,570		6,589		19,159		1,009,869		1,029,028		--
Finance leases and other		271		--		271		502,871		503,142		--
Total	$	59,967	$	43,937	$	103,904	$	20,049,210	$	20,153,114	$	--

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	**$**	**21,162**	$	17,308
Volume without specific reserves		**211,430**		196,496
Total risk loans	**$**	**232,592**	$	213,804
Total specific reserves	**$**	**5,440**	$	4,096
For the three months ended March 31		**2016**		2015
Income on accrual risk loans	**$**	**183**	$	189
Income on non-accrual loans		**2,968**		2,143
Total income on risk loans	**$**	**3,151**	$	2,332
Average risk loans	**$**	**218,465**	$	214,353

Note: Accruing loans include accrued interest receivable.

The increase in non-accrual loans correlates with the decline in credit quality and is due to the challenges created by continued low commodity prices.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at March 31, 2016.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

TDR Activity

(in thousands) Three months ended March 31	**2016**				2015			
		Pre-modification		Post-modification		Pre-modification		Post-modification
Real estate mortgage	**$**	**234**	**$**	**217**	$	235	$	266
Production and intermediate term		**224**		**224**		223		158
Rural residential real estate		**91**		**91**		336		273
Total	**$**	**549**	**$**	**532**	$	794	$	697

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 types of modification included interest rate reduction below market and forgiveness of principal or interest.

TDRs that Subsequently Defaulted within the Previous 12 Months

(in thousands)		2016		2015
Real estate mortgage	**$**	**112**	$	299
Production and intermediate term		**22**		--
Rural residential real estate		**--**		--
Total	**$**	**134**	$	299

TDRs Outstanding

(in thousands) As of:		March 31 2016		December 31 2015
Accrual status:				
Real estate mortgage	**$**	**13,811**	$	13,790
Production and intermediate term		**1,052**		1,055
Agribusiness		**77**		91
Rural residential real estate		**367**		383
Total TDRs in accrual status	**$**	**15,307**	$	15,319
Non-accrual status:				
Real estate mortgage	**$**	**11,801**	$	11,977
Production and intermediate term		**6,067**		6,238
Rural residential real estate		**2,366**		2,250
Total TDRs in non-accrual status	**$**	**20,234**	$	20,465
Total TDRs status:				
Real estate mortgage	**$**	**25,612**	$	25,767
Production and intermediate term		**7,119**		7,293
Agribusiness		**77**		91
Rural residential real estate		**2,733**		2,633
Total TDRs	**$**	**35,541**	$	35,784

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $1 thousand 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	**$**	**62,881**	$	47,661
Provision for loan losses		**1,419**		3,000
Loan recoveries		**1,075**		883
Loan charge-offs		**(1,780)**		(4,319)
Balance at end of period	**$**	**63,595**	$	47,225

The increase in allowance for loan losses from December 31, 2015 was primarily due to $1.4 million provision for loan losses recorded in 2016 reflecting additional specific reserves recognized during the three months ended March 31, 2016.

The “Provision for credit losses” in the Consolidated Statements of Income includes a provision for loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded loan commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition.

Credit Loss Information

(in thousands) For the three months ended March 31		2016		2015
Provision for credit losses	**$**	**218**	$	--
As of:		**March 31 2016**		December 31 2015
Accrued credit losses	**$**	**4,563**	$	4,346

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.1 billion at March 31, 2016 and December 31, 2015. Our investment securities primarily consisted of:

- Securities containing loans guaranteed by the Small Business Administration (SBA)
- Investment securities made up of Farm Service Agency securities (FSA)
- Securities issued by the United States Department of Agriculture (USDA)

All of our investment securities, except for $7.9 million, were fully guaranteed by the SBA, FSA, or USDA at March 31, 2016 and December 31, 2015.

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

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA, FSA, and USDA guaranteed investments may be comprised of either MBS or ABS.

Additional Investment Securities Information

(dollars in thousands) **As of March 31, 2016**	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
MBS	**2.6%**	**$**	**958,635**	**$**	**5,939**	**$**	**30,207**	**$**	**934,367**
ABS	**2.1%**		**149,895**		**1,804**		**7,210**		**144,489**
Total	**2.5%**	**$**	**1,108,530**	**$**	**7,743**	**$**	**37,417**	**$**	**1,078,856**
As of December 31, 2015	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
MBS	2.6%	$	949,410	$	5,499	$	28,006	$	926,903
ABS	1.9%		137,591		1,967		5,496	$	134,062
Total	2.5%	$	1,087,001	$	7,466	$	33,502	$	1,060,965

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $6.6 million for the three months ended March 31, 2016 and 2015.

Contractual Maturities of Investment Securities

(in thousands) **As of March 31, 2016**		Amortized Cost
Less than one year	**$**	**826**
One to five years		**69,992**
Five to ten years		**128,080**
More than ten years		**909,632**
Total	**$**	**1,108,530**

A summary of investments in an unrealized loss position presented by the length of time the investments have been in a continuous unrealized loss position follows:

(in thousands)	Less than 12 months		Greater than 12 months	
As of March 31, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$ 227,788**	**$ 22,389**	**$ 434,780**	**$ 7,818**
ABS	**70,485**	**6,664**	**11,518**	**546**
Total	**$ 298,273**	**$ 29,053**	**$ 446,298**	**$ 8,364**

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At March 31, 2016, the majority of the $37.4 million unrealized loss represents unamortized premium.

NOTE 4: OTHER INVESTMENT

We and other Farm Credit Institutions are among the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC facilitates equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Our total commitment is $20.0 million through October 2019. Our investment in the RBIC is recorded in "Other assets" in the Consolidated Statements of Condition, and totaled $4.1 million at March 31, 2016 and $4.2 million at December 31, 2015.

The investment was evaluated for impairment. To date, we have not recognized any impairment on this investment. During the three months ended March 31, 2016 we received a distribution of $250 thousand as the RBIC sold an investment. The distribution was a return of contributed capital and therefore reduced our recorded investment. To date, no income has been distributed from the RBIC.

NOTE 5: 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 6: 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.

We are among the forming limited partners in a RBIC. Refer to Note 4 for additional discussion regarding this commitment.

NOTE 7: 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	**$ --**	**$ 16,508**	**$ --**	**$ 16,508**	**$ (3,124)**
Other property owned	**--**	**--**	**6,764**	**6,764**	**(45)**

	As of December 31, 2015				Three months ended March 31, 2015
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total (Losses)
Impaired loans	$ --	$ 13,873	$ --	$ 13,873	$ (2,925)
Other property owned	--	--	7,662	7,662	(260)

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 8: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 9, 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.